

# **BREAKING DOWN MARKET BARRIERS FOR SMALL AND MID-SIZED ORGANIC GROWERS**

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Funded by the USDA Agriculture Marketing Service  
USDA-AMS Cooperative Agreement 12-25-A-5021

November 2009



**CALIFORNIA  
INSTITUTE FOR  
RURAL STUDIES**

## ACKNOWLEDGMENTS

We are very grateful to the many individuals and organizations that have worked to make this research possible, particularly the USDA Agricultural Marketing Service for providing funding through Cooperative Agreement 12-25-A-4823 and Adam Diamond of the USDA Agricultural Marketing Service for his assistance with all aspects of the research.

Many thanks to Paige Culver, CIRS intern, who provided invaluable support with her comprehensive analysis and write-up of the survey results. We are very grateful to Lisa Kresge, CIRS research associate, for her support in survey design and editing, and to Gail Wadsworth and Kate Snow for their editorial assistance. We would also like to thank Margaret MacSems for assistance conducting interviews with Spanish-speaking growers.

Many individuals and organizations supplied indispensable assistance with survey design and dissemination, including Claudia Reed and Jane Baker, CCOF; Tracy Lerman, Organic Farming Research Foundation; Marcy Coburn, Ecological Farming Association; Erin Barnett and Guillermo Payet, Local Harvest; Ryan Galt, UC Davis; and Aubrey White, UC Davis. Thanks as well to the Agriculture and Land-Based Training Association (ALBA), the Eco-Farm Conference, CCOF and the Community Alliance with Family Farmers for their help in organizing group discussions.

Thanks to the many key informants who shared their insights and knowledge, including: Andrew Angus, Switch Farm Marketing; Benny Fouche, University of California Cooperative Extension; Brett Melone, Agriculture and Land-Based Training Association; Carolyn Dimitri, USDA Economic Research Service; Cathy Greene, USDA Economic Research Service; Claudia Reed, CCOF; David Runsten, Community Alliance with Family Farmers; Ellie Rilla, University of California Cooperative Extension; Fred Thomas, CCOF Going Organic; Gail Feenstra, University of California Agricultural Sustainability Institute; Holly Givens, Organic Trade Association; Janet Caprile, University of California Cooperative Extension; Karen Klonsky, University of California Davis; Katherine DiMatteo, Organic Trade Association; Lydia Oberholtzer, USDA Economic Research Service; Mario Moratorio, University of California Cooperative Extension; Mark Gaskell, University of California Cooperative Extension; Mark Lipson, Organic Farming Research Foundation; Richard Molinar, University of California Cooperative Extension; Shermain Hardesty, University of California Small Farm Center; Steve Quirt, University of California Cooperative Extension; and Thomas Nelson, Capay Valley Grown.

Finally, special thanks to the farmers and buyers who took the time to enlighten us about their experiences with organic farming and marketing. Without their input this study could not have been completed.

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## **EXECUTIVE SUMMARY**

With growing consumer demand for organic food in the U.S., the organic sector has enjoyed robust rates of growth in recent years. Nonetheless, growth in organic production and farmland is not keeping pace with demand. Organic farming was initially considered a promising marketing niche for small and medium growers. While that has been true for some growers, many have also experienced considerable challenges with respect to marketing. While competition from larger growers is clearly an important factor, previous research conducted by the California Institute for Rural Studies has identified a range of additional marketing challenges facing small and mid-sized organic growers. This research sought to obtain in-depth information about these challenges through interviews and surveys with growers, buyers and experts familiar with the organic sector in general and organic marketing in particular. The research findings identify a broad range of challenges and – more importantly – a range of recommendations for addressing these challenges. We hope the findings outlined in this study contribute to making organic agriculture a more viable marketing channel for small and mid-sized growers.

The research focused on small and mid-sized organic farmers in California, primarily those producing fruits and vegetables. Areas of focus include most prevalent marketing barriers, how these barriers vary based on different farm and farmer characteristics, barriers associated with specific marketing channels, and recommendations for addressing these challenges. Methods included a review of the literature on organic marketing; an online survey of 103 farmers; three group interviews with farmers; and in-depth semi-structured interviews with 35 farmers, 22 buyers and 21 key informants.

### ***Extent & types of marketing challenges***

Over 80% of growers in the study reported marketing challenges, with approximately 40% citing marketing as a major challenge. Volume (too much or too little) was the largest specific marketing challenge, as reported by 84% of survey respondents. Additional challenges include obtaining organic price premiums (66%), locating and accessing markets (65%), competition (55%), lack of pricing information (47%) and difficulties meeting buyer requirements (37%).

### ***Challenges based on farm characteristics***

Marketing challenges varied based on farm size, with larger farms more likely to report competition as a challenge and smaller farms citing issues of staff time associated with marketing. Crop type affected marketing challenges somewhat, with survey respondents growing orchard crops, berries and vegetables reporting the most challenges and those growing diversified crops reporting the fewest problems. Survey respondents selling wholesale reported the most marketing problems, while farmers selling at farmers' markets reported the fewest problems. Length of time farming was not a significant factor in the survey. All Latino farmers interviewed cited major marketing challenges, particularly with respect to language barriers.

### ***Challenges of scale***

Interviewees identified issues associated with scale as the most significant challenges facing small and mid-sized organic and conventional farmers, specifically competition with larger growers and foreign imports, consolidation and regulation. Issues specifically affecting organic farms included the growth of the organic sector, certification issues and competition with other

claims including “local” and “sustainable.” Successful small and mid-sized organic farms are utilizing a strategy of values-based marketing to address these challenges. They are emphasizing the values that make their farms unique and are competing on these values, rather than low prices, where they cannot compete. These successful farmers are employing creative marketing systems involving strong personal relationships, as well as the use of Internet communications.

### ***Marketing to wholesale, retail and institutional buyers***

In-depth interviews with distributors, marketers, directors of marketing cooperatives and institutional buyers shed light on the challenges of working with small and mid-sized organic farmers from a buyer’s perspective. These challenges include price, transaction costs, quality, appearance, food safety, consistency, volume and availability, knowledge of business, and communication. Buyers, as well as farmers and key informants, were very interested in seeing the development of new intermediaries and distributors to address these issues, such as cooperative marketing systems, distribution hubs to aggregate product from multiple farmers and sympathetic distributors that specialize in working with smaller-scale farms.

### ***Marketing directly to consumers***

Direct marketing methods, including farmers’ markets, Community Supported Agriculture (CSA), farm stands and pick-your-own, were described as important marketing strategies for small and mid-sized organic farms. While potentially more lucrative, interviewees also described a number of challenges to direct marketing, including geographic location, language barriers and ability to sell at profitable farmers’ markets. CSAs were described as one of the most promising and profitable avenues of direct marketing. Some farmers are experimenting with new models of “bundled CSAs” involving multiple farms. Successful farmers are utilizing a diversity of direct and wholesale marketing channels that complement one another as a means of reducing risk.

### ***Key recommendations***

Interviews with farmers generated a series of recommendations for addressing these challenges. Farmer interest in specific recommendations was then gauged via an online survey. The following are the recommendations eliciting greatest interest from survey respondents:

#### ***Addressing food system scale and improving values-based marketing***

1. Improving food safety regulations to account for farm size and marketing channels
2. Providing more money and promotion for campaigns encouraging local food
3. Simplifying or reducing organic certification process for very small-scale farms

#### ***Improving marketing to wholesale, retail and institutional buyers***

1. Developing a comprehensive database of farmers and buyers to improve local sourcing
2. Supporting the development of alternative distribution channels, including consolidation hubs and marketing cooperatives
3. Developing a reusable box system or reducing packaging requirements

#### ***Improving direct marketing***

1. Providing grants or loans to improve direct marketing and value-added production
2. Increasing enforcement of labeling such as organic or “no-spray” at farmers’ markets
3. Simplifying direct marketing regulations, such as those for farm stands

## INTRODUCTION

The organic sector has experienced dramatic growth in the U.S. over recent years. Organic food sales have grown at the extremely rapid rate of 15 to 20 percent per year, skyrocketing from \$3.6 billion in 1997 to \$21.1 billion in 2008 (Dimitri & Oberholtzer, 2009). Previously found only at natural foods stores or farmers' markets, organics can now easily be found in mainstream supermarkets and big-box stores and are purchased by a wide range of consumers.

Despite this rapid growth in organic sales, the growth in organic production and organic farmland is not keeping pace. Organic farms in the U.S. are not producing enough to keep up with the robust demand for organic products, sometimes causing supply shortages that make for an uncertain market. Over half of manufacturers surveyed by the Organic Trade Association reported that a lack of supply has prevented them from selling more organic products (OTA, 2006). Increasingly suppliers are turning to imported organics to make up for the difference.

Given the clear demand for organic foods, why are more farmers not entering organic production? Previous research shows that marketing is one of the primary challenges identified by farmers exiting organic production. Lack of access to markets and the inability to obtain organic price premiums were cited overwhelmingly as barriers to organic farmers' success (Strochlic & Sierra, 2007). The growth in consumer demand is not necessarily translating into increased marketing opportunities for small and mid-sized organic farmers.

Many studies have shown that marketing is a major challenge faced by small and mid-scale organic farmers and have recognized the need for more research on ways to address organic marketing challenges (Agboh-Noameshie & Al-Ajjawi, 2004; Dimitri & Richman, 2000a; Kang, Broome, Chaney, & Swezey, 2005; Strochlic & Sierra, 2007; Walz, 2004). Growing consumer demand for organic produce is clearly documented as well (Dimitri & Lohr, 2007; Dimitri & Oberholtzer, 2009; Oberholtzer, Dimitri, & Greene, 2005). However, fewer studies have taken a detailed look into organic marketing from both growers' and buyers' perspectives.

This study examines marketing barriers and challenges from the perspectives of both growers and buyers. The goals are to better understand marketing challenges affecting small and mid-sized organic farms in California and to identify program and policy recommendations to help these growers more successfully market their products. By learning more about the challenges and potential solutions, future policies and programs can be strengthened in order to increase the feasibility of organic agriculture as a viable option for small and medium growers.

### ***Focus of study***

The study focuses on **small and mid-sized farms**<sup>1</sup>, since marketing for these farms is markedly different than for large-scale farms. Smaller farms tend to rely on a more diverse range of marketing channels, particularly direct marketing, which has a unique set of challenges (Kambara & Shelley, 2002; Oberholtzer, Dimitri, & Greene, 2005). Within the category of small and mid-sized organic farms, there are sub-categories of farmers, such as new farmers and

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<sup>1</sup> New USDA typology defines eight types of farms, with "small farms" generating under \$250,000 in yearly sales. In this study, no specific parameters of farm scale were used and respondents were instead asked to use their own definition of farm scale.

minority and immigrant farmers that face specific challenges. This study examines specific challenges of different marketing methods as well as challenges facing different types of farms and farmers.

The geographic scope of this study is limited to **California** for several reasons. California has the most organic farms in the country, at 2,026 farms in 2007 and represents 41% of total U.S. organic acreage (Oberholtzer, Dimitri, & Greene, 2005). It also leads the nation in direct marketing, used predominantly by smaller-scale organic farms (Kambara & Shelley, 2002).

This study focuses mainly on farms producing **fresh fruits and vegetables** for a number of reasons. The majority of organic sales are fresh produce, which represented 39% of the total \$13.8 billion of organic sales in 2005 (OTA, 2006). At the same time, marketing systems for other organic products such as dairy, commodity crops, etc. are very different and were ultimately deemed outside the scope of this study.

### ***Research questions***

This study sought answers to the following questions. What are the most prevalent marketing barriers faced by small and mid-size organic farmers in California? How do these issues vary by factors such as farm size, crops, region and proximity to markets? What are the particular marketing issues facing minority, new and immigrant farmers? Why do only half of organic growers participate in direct marketing, despite its higher earning potential? What can be done to encourage and facilitate greater participation in direct marketing channels among small and medium organic growers?

## **METHODS**

This study utilized a diverse array of methods, including a literature review, key informant interviews, grower interviews, buyer interviews, grower group interviews and a grower survey.

### ***Literature review***

A literature review was conducted to identify key marketing issues facing small and mid-sized organic growers. The literature review addressed the context of organics, organic markets, supply chains, direct and local marketing and organic wholesale distribution.

### ***Key informant interviews***

Interviews were conducted with 21 key informants. Key informants were selected for their expertise in issues pertaining to smaller-scale farms, organic farms and/or organic marketing. They represent a diverse range of perspectives including UC Cooperative Extension farm advisors; researchers from government, university and nonprofit sectors; and representatives of organizations working with small and/or organic farms. Interviews lasted from 30 minutes to one hour and were conducted by telephone, with the exception of three interviews conducted in person. Key informants were asked a series of open-ended questions about the organic sector, marketing challenges, root causes of marketing challenges, and recommendations to address these challenges.

### ***Buyer interviews***

Interviews were conducted with 22 buyers along the organic supply chain, including distributors, institutional and retail buyers and directors of marketing cooperatives. Buyers were identified via a snowball sampling method and were chosen to provide a representation of the full spectrum of the supply chain. Buyer interviews, which were conducted by telephone, lasted 20 minutes to one hour. The interviews focused on buyers' experiences working with small and mid-sized organic farms, perceptions regarding key barriers in buying from small and mid-sized organic farmers, and recommendations to make it easier to work with smaller-scale organic farms.

### ***Farmer interviews***

A total of 35 organic farmers were interviewed. Farmers were identified using snowball sampling and were chosen to represent a diverse range in terms of size, length of time farming, location, marketing channels and immigrant and minority status. Farmer interviews focused primarily on fruit and vegetable producers. Five of the 35 interviews were conducted in Spanish. Farmer interviews lasted from 20 minutes to one hour and were conducted by telephone. The interviews focused on the extent to which marketing is a challenge, most pressing issues, challenges associated with different marketing channels, and recommendations for addressing these issues.

### ***Group interviews with growers***

Because facilitated discussions can elicit different information than one-on-one interviews, three group interviews were held with farmers. All were held in conjunction with other farmer meetings. Group interviews included two focus groups, one in English and the other in Spanish. A large group discussion with approximately 60 participants was also conducted with organic farmers attending a regional meeting of the Community Alliance with Family Farmers (CAFF) and CCOF in the Central Valley. The group interviews elicited grower perceptions about pressing marketing challenges and recommendations for programs or policies to improve their marketing opportunities.

### ***Farmer survey***

An online survey of farmers was conducted to test receptivity and interest in recommendations developed via the interviews and focus groups. The survey was disseminated via email through organizations working with organic farmers, including the Ecological Farming Association, Local Harvest, CCOF and the Organic Farming Research Foundation. The survey generated 122 responses, of which 103 were valid cases used for analysis (the remaining 19 were not farmers or did not complete the survey). The survey was in English only. Because of the dissemination method of emails sent through partner organizations, response rate is unknown. The survey took approximately 10-15 minutes to complete and included a combination of multiple choice, Likert-scale, and open-ended questions about principal marketing challenges and interest in recommendations for addressing these challenges.

## **LITERATURE REVIEW: BACKGROUND ON ORGANIC MARKETING**

### ***The organic marketplace***

Organic agriculture in the United States has enjoyed soaring popularity as organic foods have moved into mainstream markets. What began as a fringe environmental movement during the first half of the twentieth century gained momentum as a health-related movement in the 1960s and 70s and has more recently become popular amongst a broader audience (Dimitri & Richman, 2000a; Guthman, 2004). The organic industry has seen immense sales growth since the 1990s, increasing by about 20 percent every year and topping \$21 billion in sales in 2008 (Dimitri & Greene, 2002b; OTA, 2006).

Organics are seen as a huge opportunity by the food marketing and retail sector, with firms of all sizes hastening to jump on board (Harris, 2006). Historically organics were predominantly found in natural foods stores and coops, but today consumers are demanding more variety and higher quality produce from their conventional grocery stores and supermarkets, which are increasingly offering organic products (Dimitri & Oberholtzer, 2009; Greene et al., 2009; Oberholtzer, Dimitri, & Greene, 2005). The consumer base has also expanded, with two-thirds of all Americans buying organic at least occasionally. Despite common perceptions of organic consumers as predominantly white and affluent, demand crosses lines of income and ethnicity (Dimitri & Oberholtzer, 2006; Stevens-Garmon, Huang, & Lin, 2007; Tropp, Ragland, & Barham, 2008).

### ***Organic supply chains***

Once harvested from the farm, organic food can follow several supply chains, including wholesale, direct to retailers or institutions, or directly to consumers. Wholesale products can be fresh or processed and can go through different combinations of brokers, distributors, processors and/or manufacturers before reaching a store shelf or dining establishment (Dimitri & Richman, 2000a). Organic food also can be sold directly to stores, restaurants or institutions such as hospitals or schools, or directly to consumers via farmers' markets, Community Supported Agriculture (CSA), farm stands and pick-your-own operations. Regardless of which path the food takes, organic integrity must be assured at each step and all intermediaries must comply with organic standards (Dimitri & Greene, 2002a).

Organic farmers tend to rely on a broader range of marketing outlets than conventional farmers (Oberholtzer, Dimitri, & Greene, 2005). In the 2004 National Organic Farmers' Survey, 80% of organic vegetable growers reported selling directly to consumers. Direct marketing methods tend to be more common among organic and smaller farms as well as among younger, beginning and foreign-born farmers (Kambara & Shelley, 2002; Walz, 2004).

The past 20 years have witnessed a shift in outlets where organic food is purchased. Most organic food was purchased at natural foods stores through the 1990s. However, by 2005, independent natural foods stores represented under 25% of organic sales, while mass-market channels, including supermarkets, mass merchandisers and club stores became the largest retail outlets for organic food products (OTA, 2006), which are now available at nearly three out of four conventional grocery stores (Greene, 2006).

At the same time, direct sales of locally produced organic food are also growing. Despite a shift towards larger marketing outlets, the smallest organic farms have maintained a foothold via direct sales, with direct-market demand for local organic produce in almost every region of the country (Grow & Greene, 2007; Kremen, Greene, & Hanson, 2004) and farmers' markets and CSA programs rapidly gaining in popularity. The USDA reports over 5,000 farmers' markets across the nation in 2009, almost triple the early 1990s (USDA Agricultural Marketing Service, 2009). Similarly, the first CSA program in the U.S. began in 1985. CSAs today are estimated at over 2,500 farms (Payet, 2009).

### ***Organic farmland***

Despite robust growth in sales, land in organic production still represents only about one-half of one percent of total U.S. farmland. Domestic farmland is not meeting the demand for organics and suppliers are increasingly importing organic products from foreign markets to make up for the difference (Greene et al., 2009). While California leads the nation in organic production with about 40% of sales, only 1.4 percent of farmland is certified organic (ERS, 2009; Klonsky & Richter, 2007; Strohlic & Sierra, 2007). Furthermore, although organic acreage is increasing in California, the number of farms has remained constant or even decreased over time, indicating concentration of the organic sector and a loss of smaller-scale farms (Klonsky & Richter, 2007). Previous research has identified marketing challenges as an important factor contributing to exit patterns among small and mid-scale organic farmers (ERS, 2009; Klonsky & Richter, 2007; Strohlic & Sierra, 2007).

### ***Challenges for small and mid-sized organic producers***

The landscape of organics has changed markedly over time. The USDA implemented the National Organic Standards in 2002 in response to growing confusion and concerns regarding the integrity of organic claims. The codification and certification of organic practices meant that direct relationships between producers and consumers were no longer necessary to ensure the validity of organic claims (Dimitri & Richman, 2000a). That organic label made it easier for larger manufacturers and retailers to sell organic products, which in turn spurred the entry of larger organic farms and resulted in increasing concentration of the organic sector (Edberg, 2004). As such, a number of observers believe that the National Organic Standards had negative impacts on market among smaller organic farms (Grow & Greene, 2007). As Dupuis (2006) explains, "Even though the market for organic food may be expanding, smaller organic farmers are increasingly unable to gain access to the mainstream buyers that represent an increasingly large portion of the growing market."

### ***Current challenges in the organic marketplace***

One issue affecting the continued growth of the organic sector as a whole is a lack of consistent supply. Over half of organic manufacturers have reported that short supplies of certified organic products have restricted their company from selling more organics (Dimitri & Oberholtzer, 2008; Gogoi, 2006; Knudson, 2007; OTA, 2006). While scarcity assures higher prices for organics, it also makes retailers and manufacturers uneasy about going into such an insecure business (Dimitri & Richman, 2000a). Businesses make up for supply shortages by importing organic products. In 2004, 38% of organic distributors and processors imported some or all of their organic products, indicating that there is significant room for domestic organic production to expand (Greene et al., 2009).

Another issue facing organics is growing interest in food attributes such as “sustainable” and “local.” Consumer demand for locally grown food is growing, often with a preference for local *and* organic when possible (Hartman, 2009; Pirog, 2003). The impacts of increased demand for local food are unclear (Greene et al., 2009). On the one hand, local food that is not certified organic is typically cheaper than certified organic and thereby presents competition. On the other hand, many smaller organic farms market their product locally, thereby benefiting from growing demand for local food. Unverified labels such as “natural” and “no-spray” may also compete with organic.

## RESEARCH FINDINGS

### Farm and farmer characteristics

Farm and farmer characteristics are presented for the 35 farmers interviewed and the 103 survey respondents included in the analysis.

#### ***Years farming***

*Interviewees.* The farmers interviewed reported farming an average of 12 years with a median of seven years.<sup>2</sup> One-third (34%) had been farming for five years or less, one-third (31%) between 6 and 15 years and the remaining one-third (34%) for over 15 years.

*Survey.* Survey respondents had farmed a mean of 17 years and a median of 13 years, ranging from less than one year to 70 years. Twenty eight percent (28%) had farmed five years or less, 31% had farmed for 6 to 15 years, while the remaining 41% had been farming over 15 years.

#### ***Acreage***

*Interviewees.* Farmer interviewees reported farming an average of 48 acres, with a median of 11 acres. Almost half (49%) farmed 10 acres or less, while 26% had between 11 and 50 acres and 26% were farming over 50 acres.<sup>3</sup> Acreage ranged from less than one acre to 300 acres.

*Survey.* Survey respondents reported a mean of 308 acres and a median of 16 acres, with a range spanning from less than an acre to 10,000 acres.<sup>4</sup> Almost half (45%) farmed less than ten acres, 29% farmed between 11 and 50 acres and 24% reported over 50 acres.

#### ***Crops***

*Interviewees.* The majority of interviewees (80%) primarily produce diversified vegetables and fruits. Several also raise animals. Of the remainder, four farmers (11%) were orchard farmers, two (6%) were primarily growing flowers and one was primarily involved in animal production.

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<sup>2</sup> This number may be low, since several farmers answered they had been farming “30 years or more” which was entered as 30 years.

<sup>3</sup> Percentages may not add up to 100% due to rounding.

<sup>4</sup> Several farmers reported pastureland acreage, which resulted in a wide range for this question.

*Survey.* Vegetables were grown by 65% of respondents, followed by orchard crops at 57%.<sup>5</sup> Berries were grown by 35%, livestock and animal products by 34% and nursery products by 23%. Sixteen percent (16%) had pastureland and 16% grew “other” products.<sup>6</sup> Twelve percent (12%) reported diversified operations and another 12% grew grain and/or hay.

### ***Organic certification***

*Interviewees.* Of the 35 farmers interviewed, 32 (91%) were certified organic, while three (9%) used organic practices but were uncertified.

*Survey.* The survey was open to all farmers who self-identified as organic. Interestingly, over half (52%) were farming using organic practices, but were not certified organic.

### ***Marketing channels***

*Interviewees.* Farmer interviewees reported a diverse range of marketing channels. The most common, used by 77% of farmers, was direct sales to retailers and/or restaurants. The next most common was farmers’ markets, as reported by 69% of farmers, followed by wholesale at 66%. CSA strategies were used by 45% of farmers. Twenty nine percent (29%) had farm stands while 20% reported agri-tourism or pick-your-own operations.

Most growers reported multiple marketing channels. The majority (86%) cited two to four marketing channels (29% used two channels, 31% used three and 26% used four). Three farmers (9%) were using five or more channels. Only two (6%) reported just one marketing channel.

*Survey.* Survey respondents reported a diverse range of marketing channels as well. The most common channel, used by 70% of farmers, was direct sales to retailers and/or restaurants, followed by farmers’ markets (62%). Forty five percent (45%) sold through farm stands or pick-your-own, 44% sold wholesale and 20% sold directly to institutions.

Most survey respondents used multiple marketing channels. The majority (81%) reported two to four marketing channels (31% used two channels, 30% used three and 20% used four). Only 7% used five or more marketing channels, while 12% used just one marketing channel.

## **Overview of marketing challenges**

### ***Extent of marketing challenges***

Of the survey respondents, 39% felt marketing was a major problem, while 46% said it was “a little” or “somewhat” of a problem and 15% reported it was not a problem. Similarly, approximately half (46%) of interviewees reported that marketing is a major problem, while 34% felt it was somewhat of a problem and 20% felt it was not a problem (see Figure 1).

Grower interviews indicate that marketing is essential to farm success. As a farmer explained, “It’s number one because if you can’t sell it, it doesn’t matter—everything else depends on it.” Similarly, a Cooperative Extension farm advisor responded, “Growing is not *the* challenge. Anyone can grow crops. The marketing is what makes or breaks it.” A second farm advisor

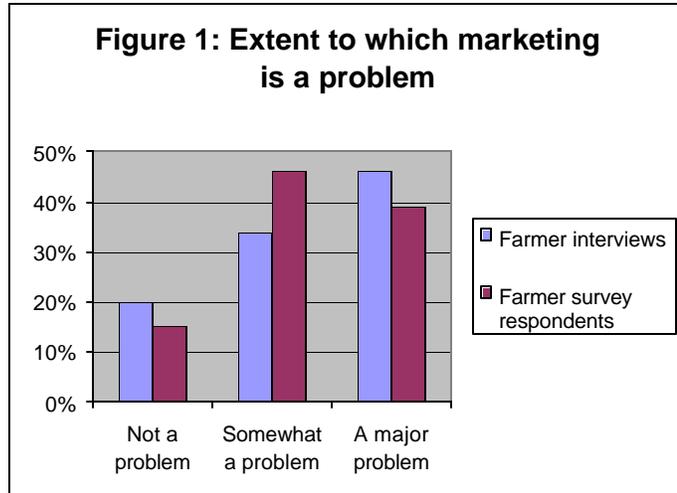
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<sup>5</sup> Respondents could choose more than one answer, so percentages do not equal 100%.

<sup>6</sup> “Other” included herbs, edible flowers and honey production.

pointed out, “Although there are other problems, they could be solved if markets were better and if people got more money for their produce.”

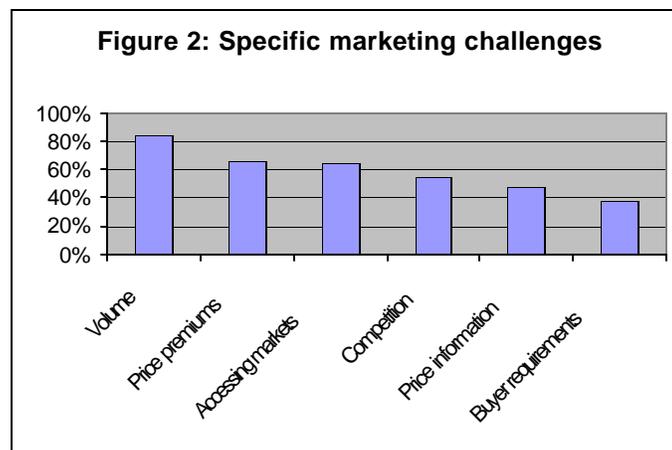
Interviews also showed that marketing problems span a wide range, from farmers who found marketing “by far the biggest problem” to those who “are able to sell everything, but it’s a lot of work.” Farmers who did not report marketing challenges attributed their success to factors including years of experience and high local demand. As a farmer explained, “There are relatively few farmers here...we’re community heroes in a way.” Another farmer commented, “Until recently we had more demand than supply. Marketing is easy when you sell out.”



### **Specific marketing challenges**

Survey respondents were asked to indicate the extent to which specific marketing challenges, including getting organic price premiums, volume (too much or too little), accessing markets, competition, meeting buyer requirements, and pricing information affected their farms (see Figure 2). The principal challenge cited was volume (too much or too little), as reported by 84% of respondents. Those selling at farm stands and/or you-pick operations reported the most trouble with volume, at 91%, while those selling wholesale had the fewest volume challenges, at 78%.

Getting organic price premiums was the second most challenging problem, as reported by 66% of survey respondents. Those selling wholesale cited the most problems getting organic price premiums, at 79%. Organic price premiums had the smallest effect on those selling direct to institutions, at 65%.



Locating and accessing markets was a problem for 65% of respondents. Farms selling direct to institutions reported the most trouble locating and accessing markets, with 70% citing that as a problem. Conversely, farm stands and/or you-pick operations the fewest problems, at 54%.

Over half (55%) of respondents cited challenges associated with competition. Farms with CSAs reported the most competition, at 73%, with farm stands and/or you-pick farms reporting the fewest issues (44%). Competition was the only specific issue varying significantly by farm scale: whereas only 35% of those farming ten acres or less reported competition as a problem, 63% farming 11 to 50 acres and 74% farming over 50 acres reported issues with competition.

About half of the respondents (47%) cited lack of price information as a challenge. Lack of price information was most common among farms selling direct to institutions, with 58% reporting problems. Those least affected were selling at farmers' markets, at 42%.

The least challenging of the specific marketing issues was meeting buyer requirements, with only 37% reporting that as a challenge. Those selling direct to institutions reported the most challenges, with 53% citing it as an issue, while those selling at farmers' markets had the least trouble at 35%. New and smaller-scale farmers reported slightly higher rates of challenges meeting buyer requirements.

### ***Marketing organic products***

Almost half of survey respondents (42%) reported that they had sold organic product as conventional due to a lack of marketing opportunities for organics. A number explained that they could not sell their product as organic because they were not certified, despite following organic production practices. This problem was not however limited to uncertified farmers, as similar percentages of certified and uncertified organic farmers reported selling organic product as conventional. Farmers selling wholesale (54%) were more likely to report this. Larger farms were also more affected, with 46% of farms over 50 acres and 48% of farms of 11 to 50 acres selling organic as conventional, compared with 33% of farms with 10 acres or less.

One-quarter (25%) of survey respondents also reported that marketing challenges prevented them from expanding their organic acreage. This varied by organic certification status. Of respondents not certified organic, only 15% said that marketing had prevented them from expanding organic acreage, the case for 28% of respondents farming solely certified organic acreage. Farms with some certified organic acreage and some uncertified acreage were by far the most affected, with 45% reporting that marketing challenges had prevented them from expanding organic acreage.

### ***Marketing challenges based on farm characteristics***

The study examined differences in marketing challenges based on factors including farm size, crops, length of time farming and minority/immigrant status.

#### ***Farm size***

Competition was the only specific challenge associated with farm scale. Whereas only 35% of those farming ten acres or less reported competition as a problem, 63% farming 11 to 50 acres and 74% farming over 50 acres cited concerns with competition. Grower interviews also indicated challenges associated with the amount of time required for marketing, particularly among very small-scale operations. As a farmer noted, "It's a big challenge for a small farm like us. It's just the two of us and if we're out at the farmers market we're not here doing farming."

#### ***Crops***

In the survey, marketing challenges varied somewhat by crop. Those growing orchard crops reported the highest rates of marketing challenges (89%), followed closely by berries (85%) and vegetables (84%). Respondents producing diversified crops reported the fewest marketing challenges, at only 64%.

### *Marketing channels*

Survey respondents using wholesale channels reported the highest rates of marketing challenges, with 93% reporting marketing as a problem. Farms selling direct to institutions, retailers and restaurants tied with the second highest rates of challenges, at 90% each. Those selling at farmers' markets had the lowest rates of marketing challenges (85%). Later sections of this report provide an in-depth look at specific issues affecting wholesale and direct marketing.

### *New farmers*

Survey data did not indicate significant differences in challenges based on years farming. However, a number of interviewees noted that marketing is more difficult for newer farmers. One farmer called the first year “especially difficult” since it takes time to develop connections. Another beginning farmer explained, “We’re not inherently good at marketing, we didn’t do it before we started this farm. We’d grown things before, but marketing was a new skill.” Conversely, a more experienced farmer explained that the key to success was that “thirty years of experience has made [marketing] not a challenge anymore.”

### *Minority and immigrant farmers*

Growers in the survey were not asked to report their ethnicity. The interviews included six Latino farmers (17% of interviewees), with five interviews conducted in Spanish.<sup>7</sup> A focus group was conducted in Spanish. The interviews and focus group found that ethnicity is associated with marketing challenges. All (100%) of the Latino interviewees reported marketing problems, compared with 75% of non-Latino farmers. While this sample is not large enough to make definite conclusions, it is notable that all Latino interviewees reported significant marketing barriers. Language barriers were reported as the biggest concern, since that prevents Latino growers from accessing markets and participating in direct marketing.

## **Food system scale and values-based marketing**

One of the main issues facing small farmers, whether organic or conventional, is that the U.S. food system’s policies and infrastructure are better-suited for larger farms, which makes it difficult to succeed as a small farmer. Organic agriculture originally offered a niche market that sheltered smaller farms from the pressures of the conventional market. However, with the rapid growth of the organic sector, small and mid-sized organic farmers now face many of the same pressures as conventional farms, in addition to specific challenges related to organic production and marketing (Guthman, 2004).

Many smaller farmers are tackling these challenges by utilizing a values-based marketing approach. They are finding ways to differentiate themselves by building personal relationships with their customers, telling their unique stories and communicating the values embodied in their food. Organic production practices are one part of this values-based marketing, along with other values such as small-scale, local and family farming.

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<sup>7</sup> Because similar research is currently being conducted with farmers from Southeast Asia by UC Berkeley researcher Jennifer Sowerwine and others, this research did not focus on Hmong and other Southeast Asian farmers.

## ***Challenges: Scale and food system structure***

The study respondents emphasized that many of the marketing problems facing small and mid-sized organic farmers are more a function of scale than organic production and marketing. As a key informant explained, “These problems aren’t unique to organic. They are unique to smaller farms.” A farmer added, “It’s not an issue so much of organic versus non-organic, it’s small producers versus large producers.” Competition, consolidation and regulation were identified as key issues negatively affecting all small farms, organic or not.

### ***Competition with large farms***

Farmers and researchers cited competition with larger farms and foreign imports as one of the principal barriers affecting small farms. A researcher explained, “Small and medium farms are competing against imports and large producers. Costs per unit are higher for small producers, so it’s hard to compete.” Another researcher pointed out that competition depresses organic prices, since “large farms produce monocrops or are highly specialized, which allows them to lower their costs of production. This makes the prices of the small producers appear higher.” Larger growers push down the price premiums for organic farmers of all sizes (Oberholtzer, Dimitri, & Greene, 2005). Other research has also identified competition as a major challenge. Respondents to the Fourth National Organic Farmers’ Survey cited competition with large farms as their main marketing challenge, followed by competition with imported organic products (Walz, 2004).

### ***Import competition***

Organic farms of all sizes face competition from foreign imports, which comprised about 12% of the U.S. organic market in 2002 and are growing rapidly (Grow & Greene, 2007; USDA Foreign Agricultural Service, 2005). While imports have fueled the growth of the organic sector as a whole, they present a concern for domestic organic farmers. Since organic farming is labor intensive, countries with lower labor costs can produce more cheaply, driving domestic prices down (Grow & Greene, 2007). Fortunately for smaller farmers, research indicates that they experience less competition with imports because of direct marketing and consumer demand for locally grown organic products (Greene et al., 2009; Oberholtzer, Dimitri, & Greene, 2005). That was confirmed by the farmer survey, in which competition was reported as a much smaller problem for farmers under 10 acres than farms over 50 acres. Nonetheless, import competition is a significant concern particularly affecting mid-sized growers.

Farm advisors working with organic growers were particularly concerned with import competition. As one observed, “The prices are too low because they’re competing with China and South America, which have lower production costs. We have higher labor and environmental standards. This means we have very safe food, but it’s expensive.” Another added that “Farmers here are competing with those in Mexico, where the cost of living and input costs are cheaper. It’s more expensive to produce food locally than to ship produce from other countries. Globalization of organic produce is threatening smaller farms.” An organic nut farmer cited personal experience with import competition, noting that “We sold directly to Trader Joe’s for a while, but then this year they got a shipment from Moldova. We can’t compete with that.”

### *Consolidation in the food system*

Consolidation of buyers and farms results in a loss of infrastructure for smaller-scale farms, as well as loss of power in decision-making (Hendrickson & Heffernan, 2002; Howard, 2009; Lyson, Stevenson, & Welsh, 2008). As a researcher explained, “Consolidation and concentration have taken away the trucks and other intermediaries that serve small and medium sized farms. The market system doesn’t serve them anymore.” Small farmers find it difficult to compete in a system with fewer, more dominant players. A farmer explained: “As the organic business gets more industrial, it looks more and more like conventional agriculture. Larger buyers want to work with larger producers. Larger buyers are gobbling up smaller buyers, who would work with smaller farms and larger farms are gobbling up smaller farms.” A researcher pointed out that this is especially problematic for organics, since “Organic distribution infrastructure is actually *more* concentrated than conventional agriculture.”

### *Regulatory compliance*

Several interviewees observed that smaller-scale farms have much less political influence compared with larger farms, resulting in regulations favoring larger farms. “We need to make over the rules and state regulations,” suggested a farm advisor. “They were created to benefit larger growers...they’re really onerous and bureaucratic. It makes it hard for small growers to get through the process.” A farmer spoke of difficulties complying with regulations, noting that “Larger companies can afford it, but smaller ones can’t.”

Small farms face difficulties complying with regulations that do not take their creative and diversified systems into account. Farmers frequently cited concern that new legislative activity regarding food safety and leafy greens will hamper their production and marketing systems by forcing all farmers, small and large, to comply with the same set of strict regulations. As one farmer noted, “The industry is making everyone wear the same shoe, even though it’s by everyone wearing the same shoe that we got into trouble in the first place.” Farmers producing meat also cited trouble complying with regulations requiring that animals be slaughtered in certified USDA facilities, since there are very few facilities that work with smaller farms.

### *Access to information*

Many growers cited challenges associated with limited access to information about small-scale organic production and marketing. Critics have argued that land-grant university research and extension activities have served the needs of larger conventional farmers and that smaller and organic farms have largely been absent from the university research agenda (Hightower, 1973). Very few farmers reported using Cooperative Extension and university resources, although many said they would like to if they offered information relevant to small-scale organic farms.

Lack of organic price information was another information gap. Pricing information is typically tracked through wholesale markets. However, since organics are often sold directly to consumers or retailers, it is difficult to track organic prices (Sok & Glaser, 2001). The organic sector would clearly benefit from more university research and outreach on production and marketing systems, as well as more thorough and accurate pricing information—both basic governmental supports provided for larger and conventional farms.

## ***Specific challenges to small and mid-sized organic farms***

While many marketing challenges affect all small farms, some are unique to organic. These include the growth of the organic sector, certification issues and the relationship between organic and competing attributes.

### *Growth of the organic sector*

No longer just a small niche market of farmers' markets and natural food stores, the organic sector has grown exponentially to include many large-scale farms and buyers. For many small and mid-sized organic growers, the rapid growth of the organic sector has resulted in unstable price premiums, loss of niche markets and increased competition (Hanson, Dismukes, Chambers, Greene, & Kremen, 2004). A long-time organic farmer described the changes over 30 years of farming: "It's a different world now. The quality demands are much higher, the marketplace is different, the capital needs are more. In the early days, there was not a lot of organic product, so there was high demand for ours." Another farmer added, "It used to be that the organic marketing system was friendly to small farmers, because that's what the system was – organics were small. But now, big businesses have taken over the landscape. It's going the way of industrial now."

### *Organic certification issues*

In 2002 the USDA implemented the National Organic Standards to standardize production and other practices and increase consumer confidence in organic claims (Strochlic, 2005). These standards have generated heated debate within the organic sector. Many farmers view the paperwork and certification costs as prohibitive. As one explained, "Organic certification involves lots of hoops and paperwork. You need a good price premium to justify the increased costs." A farm advisor cited certifications costs as a significant barrier for immigrant growers, explaining that "The cost of certification has been a big challenge for our growers, especially the Southeast Asian growers. We had a dozen certified organic by the state program, but when the national regulations went into effect, we lost all of them."

### *Competition from "local" and "sustainable"*

Over recent years, "local" and "sustainable" foods have gained considerable traction. Popular books and articles have informed consumers that while organic certification guarantees a set of production practices, it does not ensure that food was produced on small-scale, local, or family-owned farms (Pollan, 2006; Roberts, 2009). However, it is rarely pointed out that local has no explicit scale component, nor does it address production practices.

While the issue is often framed as "local versus organic," many interviewees emphasized that the two can and should work together. As a farmer noted, "organic is important, but it's not everything—the local and organic combination is the best." Similarly, a researcher explained that, "The press has put this emphasis on local versus organic and turned it into a debate, without recognizing that it can be both. But the press has misinformed people. It's not a dichotomy, lots of local is organic."

A number of buyers expressed strong interest in local food. As a dining services director explained, "We focus more on local than organic. I think the movement is going places other than organic. Certification isn't important to me if I can see what their practices are and tell

growers' stories." Another food services provider added, "Our mandate is local, not organic. [Organic] distributors buy from huge farms. It's not from small family farms who are trustees of the land. So we go for local."

However, a distributor saw this as problematic, pointing out that, "There's an over-romanticization of local right now, a lack of clarity around what local means. It's about whole systems, not just local." As a researcher added, "Big corporations can be local. But that doesn't necessarily mean they're good."

### ***Opportunities: Values-based marketing***

Due to competition from larger farms, foreign imports and competing attributes, organic certification alone is no longer an adequate marketing strategy for many small farms. The organic label conveys information about growing practices only. Farmers must therefore convey other values that consumers increasingly seek, including scale, local, sustainable or family farmed (Conner, 2004). As a key informant explained, "If you are local and diversified and a family farm, organic can be part of a market strategy, but it is not a strategy in and of itself." One farmer explained that differentiation is necessary, because "there's no difference in labeling between those doing 'barely-organic' for the price premium and those doing a good job. Those with integrity get undercut by others doing it cheaper."

The farmers interviewed noted that the ability to convey values other than organic is the most important aspect of marketing, requiring a personal and relationship-based style. As one farmer explained, "If you are faceless, nameless and don't have a personal presence, you won't survive." Farmers described their marketing as "Very personal, based on conversations and connections." In this style of marketing, telling the story is as important as the ability to produce food. As one farmer described: "It's easy to grow a lot of food, but people want to know about you, your life story, the history of your farm.... You have to make a product that is intimate and relationship based."

### ***Competing on values***

Interviewees stressed the importance of competing on attributes other than low price. As a farmer recommended, small farmers should "Explain why someone should buy your stuff for your price. If they don't buy it, someone else will. Never compete on price as a small farmer. They either want organic, high quality produce and are willing to pay for it, or they're not."

Another farmer added, "I see a lot of farmers trying to compete on price. Don't bother. Price is a losing proposition. Compete on quality and values such as environment, social justice." The same farmer pointed out that "You have to tell your story if you're competing on values, or it doesn't work."

Many farmers also emphasized the importance of competing on quality. A farmer described how she has "built a brand by never selling anything that wasn't 'A' quality," which has given her another important value besides price on which to compete.

### ***Community-based advertising***

Given the importance of values and personal relationships, many farmers rely on a strong community presence to establish credibility and communicate their values, rather than traditional

advertising. Community-based advertising methods include write-ups in local newspapers and magazines, participating in community events and benefit dinners, hosting school tours, attending conferences and inviting people to the farm. As a farmer explained, “Creating goodwill and good relations in the community is important. Good PR is good marketing.” Another added, “I’m always marketing – I’m always talking about my farm to friends and community members.”

### *Creative and adaptive marketing*

Along with maintaining a personal presence and building strong relationships with customers, farmers stressed the importance of being creative, flexible and diversified. Since there is no one-size-fits-all model for smaller farms, marketing must be tailored to each farm. As a farmer noted, “I recommend that small farms don’t do what big farms are doing – find a little niche and do it well. Be flexible and ready to change quickly if big farms start doing it.” A farmer with a thriving agri-tourism operation described what works for her: “We’re too small for any regular accounts. So we stay diversified and do agri-tourism. We have to be creative because we’re small.”

### *Online communications*

Online communication and social networking are increasingly valuable marketing tools for many farmers. Websites, email newsletters and social networking sites are popular ways for growers and customers to connect. Farmers felt that a user-friendly website was important, and for some, “imperative.” Several described getting email addresses at farmers’ markets and developing lists to advertise CSA shares and farm events. A farmer explained that an email newsletter is a useful way “to connect with people and tell them what you’re up to.” A number of farmers mentioned success using Local Harvest, a website with a searchable directory of small farms. These virtual technologies are helping farmers establish a personal presence and build closer connections with consumers.

### ***Recommendations: Scale and values-based marketing***

The interviewees offered a number of recommendations to address scale-related challenges and improve values-based marketing for small and mid-sized organic farmers. Recommendations are listed in order of farmer interest.

#### *Improving food safety regulations*

Interviewees recommended changing food safety regulations to better suit small farms and assistance to help small growers comply with regulations. Modifying food safety regulations was the most popular recommendation in the survey, with fully 91% of respondents reporting that regulations accounting for farm size would be helpful (66% “very helpful,” 25% “somewhat helpful”). An additional 84% would find funding for smaller farms to comply with food safety regulations and develop food safety protocols helpful (56% “very helpful,” 28% “somewhat helpful”).

#### *Encouraging local purchasing*

Respondents emphasized the importance of encouraging consumers to purchase from small and local farmers, recommending that more money and promotion put into “Buy Local” campaigns.

An impressive 95% of survey respondents answered that this would be helpful (59% “very helpful,” 36% “somewhat helpful”). Respondents also recommended that public agencies directly support local organic farms through purchasing, with 81% of survey respondents answering that policies supporting local and organic purchasing for public agencies would be helpful (53% “very helpful,” 28% “somewhat helpful”).

### *Organic certification options*

A large percentage (83%) of survey respondents felt that a simplified certification process for the smallest-scale farmers would be helpful (61% “very helpful,” 22% “somewhat helpful”). Additionally, 77% of respondents felt that different labeling options for “barely organic” and “beyond organic” farms would be helpful (39% “very helpful,” 38% “some what helpful”).

### *Consumer education on organics*

Farmers also stressed the need for increased consumer education around what organic certification does and does not mean, with 86% reporting that this would be helpful (48% “very helpful,” 38% “somewhat helpful”). Given concerns about food safety, 90% of farmers called for greater consumer education regarding organics and food safety; particularly to dispel consumer perceptions that organic food is unsafe (50% “very helpful,” 40% “somewhat helpful”).

### *Assistance in storytelling and digital communications*

As websites, computers and online social networking continue to serve as important marketing tools for smaller-scale farmers, some farmers, particularly immigrant or limited-English farmers, require more technical support in digital communications. In terms of general communications assistance, 79% of survey respondents were interested in help with developing marketing materials and “telling their story” (35% “very interested,” 44% “somewhat interested”). An additional 76% express interest in assistance with digital communications, Internet marketing and developing websites (29% “very interested,” 47% “somewhat interested”).

### *General support and research*

Interviewees expressed interest in more general support for smaller organic farms, including organic-specific production and marketing research and Cooperative Extension outreach, which 79% would find helpful (32% “very helpful,” 47% “somewhat helpful”). An additional 78% expressed interest in low-cost consultants or advisors to help with marketing and business planning (40% “very helpful,” 38% “somewhat helpful”). Interviewees also called for more support for farmers transitioning to organic, such as the existing “Going Organic” program.

### *Improving price information*

Several farmers and buyers cited difficulties making marketing decisions due to a lack of organic price information. That is borne out by the survey, where 78% of respondents reported that access to improved organic price information would be helpful (37% “very helpful,” 41% “somewhat helpful”). The findings indicate that organic price information would likely be more useful to farms selling wholesale.

### *Support for immigrant and minority farmers*

Latino farmers reported particularly high rates of marketing challenges. Language barriers are key challenge, given the important role communication plays in values-based marketing. Latino growers also cited challenges associated with limited computer skills. These challenges indicate a need for programs assisting farmers to ensure they are reaching minority and limited-English growers. Organizations could help connect Latino growers to Latino consumers (who have shown high interest in organics) or could provide more assistance accessing markets and using computers. Creative solutions should also be considered, such as pairing Americorps volunteers with limited-English farmers to assist with direct marketing.

### **Marketing to wholesale, retail and institutional buyers**

Wholesale marketing channels include distributors, processors and manufacturers. In this study, retail and institutional buyers are included as well.<sup>8</sup> Retail and institutional buyers represent a marketing channel somewhere between direct marketing and wholesale. They are similar to wholesalers in that sales involve larger quantities than direct marketing and there is an intermediary between the farmer and the end consumer. For farmers, the main benefit of selling wholesale (to distributors or directly to retailers or institutions) is moving large volumes of product at once. The main drawback is that prices are lower than direct sales. Farmers must take factors such as time, price and volume into account in determining whether it makes sense to sell wholesale.

#### ***Challenges: Wholesale marketing***

Interviews with buyers identified a number of barriers associated with working with smaller farms, including price, transaction costs, logistics, quality, appearance, food safety, consistency, volume, availability, and knowledge of business, markets, and communications. This confirms and builds on other research examining wholesale and direct-to-retailer marketing barriers for smaller farms (Starr et al., 2003; Zajfen, 2008). The severity of these challenges may explain why growing demand for organics is not translating into increased marketing opportunities for small and mid-sized farms. As the market for organics expands in mainstream retail formats, it does not expand for small-scale farms because it is difficult for them to access these larger channels. Challenges are described in detail below, roughly ordered by importance to buyers as determined by the interviews.

#### ***Price***

Price is one of the primary barriers for buyers sourcing from small and mid-sized organic farms. Organics command a price premium and smaller farms must cover higher per-unit production costs. From the point of view of many buyers, the prices considered fair and necessary by small-scale organic farmers are too high. “Price is the number one challenge in selling organics,” commented one distributor. “It needs to be within a certain range and organics [from small farms] are out of the price range.” A wholesale distributor who works with smaller farms pointed out that customers who buy wholesale produce “have access to bigger suppliers with lower

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<sup>8</sup> Marketing directly to retailers, restaurants and institutions is sometimes considered a form of direct marketing. However, for the sake of this analysis, it is considered a form of wholesale marketing, since buyers act as intermediaries rather than as end consumers.

prices, so we have to keep prices low enough to compete.” Several buyers noted that while they wanted to support the higher production costs of smaller farms, the price point was higher than their business could handle.

Price is particularly an issue in institutional settings, such as school, university, or hospital cafeterias. Whereas local organic food simply commands a higher shelf price in a retail setting, cafeterias often have a fixed menu at a certain price. “It’s hard for us to buy organic because of the price point. Our meals have a set price and it’s all-you-can-eat, so it is hard to pay extra money for organic options,” explained one cafeteria director. Another cafeteria buyer added, “We currently only buy from local organic farms if the price is close to conventional prices. Otherwise we can’t buy it.” A distributor explained, “Most customers have stated that they’d like to buy organic, but price is a concern and organic is mostly out of reach. Customers, especially institutions, have a hard-line price point and strict budgets.” Even buyers who want to support small organic farms have a hard time doing so within their required price points.

### *Transaction costs and logistics*

High transaction costs add to the issue of high prices. Per unit transaction costs are lower when buying large quantities from one supplier and costs increase purchasing smaller amounts from multiple suppliers. Buyers trying to keep transaction costs low therefore have an incentive to buy large quantities from a small number of farms, one of the major barriers preventing buyers, particularly larger ones, from working with smaller farmers. “It takes the same amount of time to coordinate two boxes as it does 200 boxes or a truckload,” explained one distributor. Another estimated that it costs a minimum of \$100 in time, fuel and logistics every time a truck stops at a farm, no matter the size. As a small distributor noted, “Costs as a small distributor are major. It’s a higher cost per unit than if we had a huge amount like a larger distributor.” Another added, “Transportation is more difficult when you can’t fill a whole pallet. The costs of fuel and trucking go much higher.” Transaction costs are also an issue when farmers sell directly to retailers or institutions. As a cafeteria director explained, “It takes more time to order food and locate it when we source it locally. It’s a big automated system and local produce is like a wrench in that system.”

### *Quality, appearance and packing*

Buyers expressed concerns regarding the issues of quality, appearance and packing. Wholesale produce must be clean with no cosmetic defects. It must be packed properly in the right boxes, with proper post-harvest handling procedures and cannot be overripe.

Wholesale distributors require attractive, clean produce to sell to their customers, who are accustomed to particular standards. Distributors noted that it is “difficult to get a clean, consistent pack from small growers.” An institutional cafeteria buyer added, “Quality and appearance are issues with small and organic. We’ve rejected a lot more produce [from smaller farms] on the basis of quality.”

Another distributor noted issues with post-harvest handling: “With smaller growers we have trouble with post-harvest handling and cooling. Even selling locally, the product needs to have some shelf life for a few days.” Another distributor said it is important to ask small farmers, “Do you have the cooling facilities, the storage facilities? Post-harvest handling is so important. Being a good farmer is more than having a green thumb.”

Packaging and boxes are additional challenges in working with smaller farms, since each type and amount of produce requires a different box. Farmers unfamiliar with selling wholesale often do not pack produce in the proper boxes. A distributor explained, “A lot of farmers try to save money by not buying the right boxes. But then the boxes collapse and are rejected so it costs more money. You need the proper packaging.”

Buyers also stressed that it can be difficult working with smaller farmers accustomed to direct marketing quality standards. “Labeling, counting, aesthetics – there are different standards. What works for the farmers’ market doesn’t work for customers buying wholesale,” one distributor explained. Another added, “Farmers don’t understand. For a farmers’ market it goes right to the consumer and they eat it right away. We need product that can sit in cold storage a few days.”

Another distributor felt that smaller growers have quality problems because they are unwilling to cull product: “It costs more to produce everything for them. That’s fine, but in some aspects they value everything too much. They won’t cull enough and the quality goes down.” Buyers emphasized that farmers must think about where the product is going and pack it accordingly.

### *Food safety*

Food safety is a huge issue for farmers, buyers, food service providers and consumers. Some buyers require farmers to conduct audits or carry liability insurance, which can be a significant barrier for small farmers. “Food safety is a huge issue, so we need some kind of audit to minimize risk,” one distributor explained. Smaller farmers can have a difficult time meeting complex standards. Nonetheless, one buyer felt that organic farmers had an easier time meeting food safety standards because they already meet legal requirements for organic certification.

### *Consistency and availability*

Wholesale distributors require consistent availability to ensure adequate supply. Smaller farmers described difficulties working with wholesalers who need a commitment to a certain volume at a certain time. From the distributors’ point of view, it is difficult working with small farms that cannot guarantee availability. As one distributor described, “It’s more volatile. Availability is less consistent and less predictable.” For institutional buyers, dealing with seasonal availability challenges is a big learning curve. As a cafeteria director explained, “If you order cherry tomatoes, they might run out, there might be a frost or broken equipment. With a big produce company they just find it for you from somewhere, whenever.”

### *Knowledge of business and markets*

A number of buyers emphasized that a better understanding of wholesale markets would help growers plan and make better decisions. As a wholesaler commented, “Farmers should know the market conditions, pricing, competition – we don’t want someone just growing something without knowing whether it’s a good thing to grow.” Another added, “Even small farms need to understand the markets. They should be planting crops based on what they need to make.”

On the opposite end, buyers sourcing from smaller organic farms want their end customers to have a better understanding of the farmers’ context. A distributor who sells to restaurants and stores stressed that “Chefs and retailers need to understand that small growers can’t provide large uniform quantities.” Another wholesale distributor felt he could play an important role in terms of educating his customers and “explaining so people can understand. The customers want

parsnips, but the ground is frozen. Weather and other factors require understanding.” Developing relationships and common understandings between buyers, farmers and end customers is an important starting point for overcoming other obstacles.

### *Communication*

Buyers stressed that one of the most important things they need from farmers is frequent and clear communication. Buyers need to know what a farmer has, in what quantity and when it is available. They must know these things early, rather than when the product becomes ripe. “If I’m selling one of your products, I need to hear from you a few times a week. You need to call me back. Don’t leave me hanging,” explained one distributor. Another emphasized, “Number one is killer communication! It’s difficult to over-communicate with us.” Communicating about the product itself is important as well, especially for local and organic produce. Explained one buyer, “We always want more info from growers—who they are, what they’re up to. If we’re asking customers to pay more for food, we need to show them why and what the story is.” It can be “difficult to get information to the end consumer,” added an institutional buyer, so having as much information as possible from the farmer about the product is critical.

Farmers recognized the importance of good communication. “The more interaction with your [wholesale] customers the better. We talk daily with some of our customers, just keeping a dialogue,” explained one farmer who sells wholesale. Another farmer suggested “going to talk with people about what you grow, bringing samples. Let them see and taste it.” As in direct marketing, small and mid-scale organic farmers selling wholesale are asking buyers to pay more for values. It is therefore important to convey the values and story behind the food.

### ***Opportunities: Values-based distribution chains***

Consumer demand for organic food from small local farms is quickly growing and institutions, retailers and manufacturers are working hard to find ways to meet this demand. Farmers, intermediaries and end buyers committed to supporting small-scale local organic farms are working together to form “values-based supply chains” (Dimitri & Richman, 2000b; DuPuis, 2006). One of the strongest messages in this study was the need for alternative distribution channels and intermediaries who work specifically with smaller farms. Interviewees from all sectors supported the development of such alternative distribution channels. Potential options include ‘sympathetic distributors’ that specialize in working with small-scale and organic farmers; cooperative marketing systems; and distribution hubs that serve as consolidation points.

### *Farmer interest*

Several farmers expressed strong interest in creating cooperative distribution systems and distribution hubs to aggregate product. One described a group of local farmers who are currently “looking for warehouse space to act as a distribution hub.” Farmers are organizing to form agricultural marketing cooperatives such as the Capay Valley Farm Shop and the Central Coast Agricultural Cooperative. However, farmers noted that despite interest and enthusiasm, “It’s hard to figure out how it will make money because it takes time to organize.” Another farmer added, “We don’t know where to begin or how to get help with it. I only have a limited amount of time to dedicate to it and the other farmers are in the same boat.” One farmer suggested that “more micro grants, micro lending programs and small grants for feasibility studies” would help farmers start cooperatives.

### *Buyer interest*

Since values-based supply chains rely on commitment from all players, buyers play an important role. Buyers in the study emphasized that they strongly value local and organic small-scale farms and wanted to buy food that was in line with their values. An organic produce distributor commented, “I don’t really like large monoculture organic farms. Our mandate of working with small farms continues.” Another distributor explained that, “We are really founded in values. Our mission is to encourage sustainable agriculture, work with local producers and get produce to businesses.” A food service provider envisioned her dining facility as “a living laboratory, where students come learn how to live sustainably and responsibly.” Although buyers identified significant challenges working with small farms, they also believed it was important to do so, which is encouraging for promoting values-based supply chains.

Buyers were interested in distribution systems that would ease the burdens of working with many smaller farms. “It would be helpful to have consolidation points where a distributor could pick up from multiple farmers,” suggested one buyer. A distributor described how helpful it was to work with a small farm that consolidates produce from other local farms, so the distributor’s truck only has to stop once. An institutional buyer remarked, “It behooves farmers to get together and organize.” By working in groups, farmers can strengthen their ability to sell directly to larger buyers such as institutions or grocery stores. A buyer for a large grocery chain suggested that farmers “form co-ops to make a bigger supply. If a co-op buys from many farmers, we can buy from them.” Efficiency was a motivator for the creation of aggregation systems. One buyer pointed out that if each farmer delivers produce separately, it results in “lots of empty trucks driving back. That’s not sustainable! Distribution hubs would be more efficient.” One challenge is that cooperatives and distribution hubs would entail another layer of intermediaries, which would likely increase costs.

### *Need for more research and support*

Key informants saw a great deal of possibility in alternative distribution systems, but stressed the need for “cost-effective ways to aggregate product among many producers.” Researchers felt that distribution networks are “ripe for analysis to figure out what could make them more effective.” Experts emphasized the need for more research, financial and technical support to develop alternative distribution systems and cooperatives.

There are a number of examples of alternative distribution systems for smaller-scale and organic farms. Some are retailer-initiated programs driven by consumer demand. For example, La Montanita Co-op, a consumer foods cooperative in New Mexico, started a distribution network to source products from regional small and mid-sized organic producers. Other models are entrepreneurial ventures such as Red Tomato, a Massachusetts-based business that coordinates a regional network of farmers, truckers, wholesalers and customers to source from small and mid-sized local farms. Other programs are organized by nonprofits, such as the Growers Collaborative and ALBA Organics, which operated by the California-based Community Alliance with Family Farmers (CAFF) and Agriculture and Land Based Training Association (ALBA) respectively. Nonetheless, on a national scale there are relatively few models, despite high interest on the part of farmers, buyers and advocates. Because there is so much interest, it is important to avoid reinventing the wheel or repeating past mistakes by studying existing models and providing adequate support and information for new ventures.

## ***Recommendations: Improving wholesale marketing opportunities***

Buyers, farmers and key informants had a number of recommendations to improve wholesale marketing opportunities for small and mid-sized organic farms. Recommendations are presented based on farmer interest.

### ***Database of farmers and buyers***

There is currently no centralized mechanism for connecting local farmers with buyers. Buyers wishing to source from local farmers have no way of finding them or knowing what they have for sale, while farmers do not know which buyers are interested in local organic products. In order to facilitate connections, respondents recommended an online searchable database listing farmers and buyers. Databases exist for a few regions,<sup>9</sup> but a more centralized statewide or regional database would be a valuable resource. Fully 84% of survey respondents expressed interest in a database of this nature (41% “very interested,” 43% “somewhat interested”). Online ordering systems with real-time information regarding availability of produce were seen as helpful by 61% of respondents (24% “very helpful,” 37% “somewhat helpful”).

### ***Development of alternative distribution systems***

Farmers, buyers and key informants expressed high support for the development of alternative distribution systems including sympathetic distributors, distribution hubs or aggregators and marketing cooperatives. Fully 80% of respondents would find the development of cooperatives or aggregate distribution systems helpful (39% “very helpful,” 41% “somewhat helpful”). There is a significant need for research and technical support for such systems. Funding in the form of grants or loans will be needed to provide startup capital for new distributors or cooperatives.

### ***Boxes and packaging***

Several farmers and buyers cited boxes and packaging as significant marketing challenges for small and mid-sized growers. Boxes can cost a dollar or more each and different boxes are often required for each type of product. This quickly turns into a major expense and creates a lot of waste. One recommendation was for small farmers to order boxes cooperatively to achieve economies of scale. Farmer advocacy organizations could help facilitate this approach, which is already happening in some communities.

Farmers and buyers also expressed interest in reusable box systems. In the survey, 75% of respondents answered that a reusable box system would be helpful (36% “very helpful,” 39% “somewhat helpful”), while another 75% felt that reducing packaging requirements would be helpful (44% “very helpful,” 31% “somewhat helpful”).

### ***Exchanges between buyers and farmers***

Several interviewees expressed interest in “cultural exchanges” between farmers and buyers to promote understanding and improved relationships. Farmers would visit stores, restaurants and cafeteria kitchens, while buyers would visit farms. As a cafeteria director explained, “It would be helpful to have visits both ways. We could see what each other does and understand each other’s

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<sup>9</sup> Some examples include Placer County’s “Placer Grown” program, Sacramento County’s listing of growers, Local Harvest’s online database and the Local Food Guide produced by the Community Alliance with Family Farmers.

barriers. Farmers might give us new ideas.” A farmer who had hosted a field tour noted, “Having buyers out to the farm was important. They tasted things and saw the farm and liked it and then we got better prices.” In the survey, 65% of respondents felt that gatherings and field days between buyers and farmers would be helpful (21% “very helpful,” 44% “somewhat helpful”).

### *Buyers supporting farmers*

Buyers and handlers wishing to assure a steadier supply of organic product can help by taking a more proactive role, helping farmers with organic transitions, post-harvest handling, micro-loans and crop planning (Dimitri & Oberholtzer, 2008; Trim, 2007). For example, Whole Foods Market has a Local Producer Loan Program to help capitalize small farms. A buyer described how his distribution company assures a supply of high-quality produce by providing farmers with technical assistance in pest management and post-harvest handling. A marketing cooperative held organic transition workshops so the cooperative would have enough organic supply. A wholesale distributor used crop planning to ensure that farmers would have a market and the distributor would have supply: “We work with farms to figure out a schedule of who grows what and where, to make sure we have a steady supply.” In the survey, 54% of farmers answered that loans, support and technical assistance from wholesale distributors would be helpful (22% “very helpful,” 32% “somewhat helpful”).

### *Farmer education on selling wholesale*

Given buyer challenges working with smaller farmers, it would be beneficial to educate farmers on how to sell wholesale. There are several existing manuals that address these topics (Dufour, 2008; Feenstra, Ohmart, & Chaney, 2003), which could be expanded to workshop formats. In the farmer survey, 71% of farmers felt that workshops on selling wholesale would be helpful (16% “very helpful,” 55% “somewhat helpful”). Several buyers expressed interest in teaching farmers about quality and post-harvest handling standards. As a distributor noted, “We’re working on a grant to teach farmers about wholesale pack expectations.” Yet another added, “I would like to teach a course on how farmers can work with the distribution and retail marketplace.”

## **Marketing directly to consumers**

Direct marketing, including farmers’ markets, CSA, roadside stands and pick-your-own is an important marketing channel for smaller-scale organic farms, allowing farmers to earn more by avoiding intermediaries. Direct marketing has soared in popularity with growing interest in local food and there are currently over 5,000 farmers’ markets and over 2,500 CSA programs in the U.S. (USDA Agricultural Marketing Service, 2009; Greene et al., 2009; Hartman, 2009; Payet, 2009). As a researcher observed, “The proliferation of direct marketing opportunities—farmers’ markets, CSAs—has gone very well and is allowing for a lot of robust marketing activity at a small scale.”

### ***Challenges: Direct marketing***

Farmers and key informants identified a number of challenges associated with direct marketing, including geographic location, language barriers and access to profitable farmers’ markets.

## *Geography*

Interviewees cited geographic location as both an asset and a challenge. Previous research indicates that demand for organic produce varies regionally and is strongest near urban areas and universities (Kremen, Greene, & Hanson, 2004). As a farm advisor in the San Francisco Bay Area explained, “Marketing isn’t a problem here. Everyone sells out. We are near San Francisco, with a huge affluent foodie-oriented population.”

More often, location was referred to as a challenge, particularly for those in more rural areas or near communities with low demand for organic. As one farmer explained, “The Bay Area is 300 miles away, but we can’t sell organics up here because it’s too rural and conservative. So we load up trucks and go to the Bay.” This farmer did not even advertise her produce as organic in her hometown until recently: “We only started telling people it was organic in the last few years—we wanted to be part of the community. It’s considered wacky and expensive and people have negative perceptions around it.”

For farmers lacking an adequate local market, transportation to more profitable markets can be expensive and difficult. At a focus group, farmers described transportation time and fuel costs as a major challenge. One very rural farmer also noted that, “Accessing markets is a big challenge because of our remote location. We’re too remote for a CSA.”

Nonetheless, rural does not always equate to low demand for organic. A farmer in a small community with high demand for local organic products claimed that, “I’m lucky to be where I am. There is a huge market.”

## *Language barriers*

Latino farmers cited language barriers as their biggest challenge, particularly with respect to direct marketing. Smaller farmers must communicate directly with customers to engage in values-based marketing. For those with limited English, it is impossible to convey these values to an English-speaking customer base. As a farmer described, “Language is the biggest issue. It makes it impossible for some farmers to do farmers’ markets or other direct marketing. They can’t understand Spanish and we can’t understand English.”

Farmers with limited English also have a hard time eliciting feedback from customers. As a farmer explained, “If I spoke better English I could talk with customers and know what to bring to farmers’ markets.” Another farmer noted that language is a problem because “Customers want to know more about how we manage our crops and there’s no communication between the consumer and the farmer.”

Respect is an additional issue affecting Latino growers working at farmers’ markets, many of whom have reported a perceived lack of respect on the part of market managers.

## *Access to profitable farmers’ markets*

Farmers’ markets are the most common format of direct marketing. They facilitate direct interaction between consumers and farmers, create lively public spaces, improve access to fresh food for consumers and create markets for local farmers (Gillespie, Hilchey, Hinrichs, & Feenstra, 2007). They are generally considered more profitable because revenues go directly to the farmer. However, research shows that farmers’ markets are not necessarily profitable for

farmers once the value of their time and labor costs are included (Hardesty & Leff, 2008), given the costs associated with harvesting for market, driving there, spending the day, packing up unsold produce and driving back. As one farmer commented, “It would be nice to do more direct marketing, but we don’t do farmers’ markets because of the time commitment.” Another echoed, “Farmers’ markets are too much time and energy.”

Farmers were quick to note that some farmers’ markets, typically in wealthy areas, can be very profitable and well worth the time. Profitable markets have some combination of higher traffic, customers willing to support higher prices, and larger sales volumes. However, as one farmer pointed out, “Farmers’ markets that move volume have very long waiting lists. The other markets aren’t worth the time.” Another added, “The good ones are saturated and the ones with space are not as good.”

According to a key informant, “the market must be very good for it to be worth it and only a fraction of farmers’ markets are that good.” While recent growth in the number of farmers’ markets throughout the country is typically seen as positive, it may actually contribute to the problem of unprofitable farmers’ markets. A farmer described how “an over-saturation of markets in my area” has resulted in “not enough business at each.” Adding more markets can dilute sales at each individual market to the point where they become financially unfeasible for farmers.

### ***Opportunities: Direct Marketing***

#### ***Community Supported Agriculture***

Community Supported Agriculture (CSA), in which customers become shareholders of a farm in exchange for weekly shares of produce, began in the U.S. in the 1980s and has rapidly grown into a popular form of direct marketing. Farmers were very positive about CSAs as a marketing channel. One long-time organic farmer called CSA “the most exciting thing I see going on these days—it’s a bright spot.” Since CSA involves predictable sales, farmers can harvest knowing that the produce is already sold. As a farmer commented, “The farm stand is too unpredictable, it’s too much waste. The CSA is easier to plan for.” CSAs can also play an important role as part of a larger farm system. One farmer said that her CSA “gets good feedback, we can grow fun things and it allows for year-round employment and health insurance for our workers.”

A CSA can also create a market for produce that would otherwise go unsold. A farmer noted that their CSA meant that, “I can sell produce that is too ripe for wholesale.” This confirms previous research describing CSAs as an important risk management strategy for organic farmers (Hanson, Dismukes, Chambers, Greene, & Kremen, 2004).

A study of growers’ experiences with CSA found that the primary disadvantage was inefficiency, including time spent with members and the diversity of crops required (Perez, 2004). However, the same study found that farmers were positive about their experiences with CSAs, which had created economic security. Hardesty and Leff (2008) found that when time and labor were taken into account, CSA was a more profitable marketing channel than farmers’ markets or wholesale.

A new trend is the development of “bundled CSAs” incorporating produce from multiple farms. Several farmers with large CSAs described buying from other farms to supplement their CSAs. As one explained, “If small farms want to focus on growing and don’t want to market

themselves, we would be happy to sell their produce via our CSA.” Another farmer explained that including produce from other farms in his CSA is advantageous because “they [the other farmers] get a better price than wholesale and we get a good product that we can’t grow ourselves.” This readiness to collaborate confirms previous research that even when CSA farms are seemingly in competition with one another, there is a strong sense of collaboration as well (Strochlic & Shelley, 2004).

One key informant was dubious about this approach, noting that, “People might prefer that direct relationship with the farm, so bundling might not work.” However, farmers currently running bundled CSAs report positive feedback from customers, who enjoy a greater variety of products in their weekly share.

### *Diversity in marketing systems*

Farmers stressed the importance of diversified marketing systems, using multiple channels to find the approach best suited to their situation and sell a greater percentage of their product. For example, one farm coordinated with a café kitchen to use blemished produce: “We avoid waste with the kitchen. A farm in harvest has a lot of waste, but we have an alternative – we send it to the kitchen.”

Other farmers used diverse marketing systems as an insurance strategy. “We have so many things, our products are diverse enough, that we can tap into different markets and if the price falls on one, there are still others,” explained one farmer. Another added, “Our key has been not putting all the eggs in one basket. I recommend not just selling wholesale or just the farmers’ market. Having a mix of strategies is critical. It allows us to utilize all our stuff.” Previous research has shown that even though diversified operations require more time and energy, diversified marketing strategies reduce risk, increase earnings and increase success for smaller-scale farmers (Hardesty & Leff, 2008; Park & Lohr, 2006; Tourte et al., 2006).

### ***Recommendations: Improving direct marketing***

Respondents generated a number of recommendations for programs and policies to improve direct marketing. These are presented based on farmer interest.

#### *Grants for direct marketing and value-added production*

Interviewees recommended grants or loans for farmers wishing to scale up their marketing systems or expand into value-added production, which can be capital intensive. While government value-added production grant programs already exist, interviewees recommended expanding these opportunities. This generated positive interest in the survey, with 79% of respondents expressing interest in grants for direct marketing and value-added production (47% “very helpful,” 32% “somewhat helpful”).

#### *Enforcement of labeling at farmers’ markets*

Certified organic farmers recommended increased enforcement of rules regarding labeling and product claims at farmers’ markets. Because certified organic farmers invest time and money in maintaining their certification, it is problematic when “Those who are not organic say ‘spray-free’ without having any certification. They have cheaper prices. Organic is more expensive than ‘spray-free’ to produce, so people don’t buy [organic].” Another farmer claimed that, “People

say it's organic when it's not. It's a fraud. We do a lot of work to be organic certified." Seventy five percent (75%) of survey respondents felt that greater enforcement of product claims at farmers' markets would be helpful (50% "very helpful," 25% "somewhat helpful").

### *Simplifying regulations*

Several farmers and key informants recommended simplifying regulations regarding direct marketing, particularly at farmers' markets and farm stands. Several local governments, including Contra Costa and Sacramento Counties, have recently passed legislation facilitating direct marketing. Of survey respondents, 76% would find simplifying regulations helpful (43% "very helpful," 33% "somewhat helpful").

Farmers raising livestock noted that regulations and infrastructure hamper their success as well. Animals must be slaughtered in USDA-approved facilities; however, there are few that work with small producers. Farmers described driving four or more hours to reach a slaughter facility. Simplifying regulations and/or developing more local and mobile meat processing facilities would assist smaller producers and those wishing to diversify into livestock production.

### *Facilitating bundled CSAs*

Farmers expressed interest in bundled CSAs as well. Although such CSAs are typically coordinated by one farm, there are cases in which they are coordinated by a nonprofit or cooperative entity. Seattle's Pike's Place Market ran a bundled CSA program with multiple farmers; the farmer cooperative Capay Valley Vision is creating a bundled CSA of regional farmers; and Placer County piloted a collaborative CSA project. When asked about support for development of bundled CSAs, 71% of survey respondents answered that it would be helpful (27% "very helpful," 44% "somewhat helpful").

### *Workshops and toolkits for direct marketing*

Several farmers expressed interest in approaches such as CSA and agri-tourism, but did not have enough information to implement a program on their own farm. Technical assistance, workshops, toolkits and how-to manuals providing information on specific marketing methods would be helpful for farmers interested in learning more about direct marketing. In the survey, 73% of farmers felt that toolkits or workshops on direct marketing would be helpful (21% "very helpful," 52% "somewhat helpful").

### *Encouraging EBT and WIC at farmers' markets*

Several farmers expressed interest in more use of EBT (food stamps) and WIC coupons at farmers' markets. Along with increasing food security, this could encourage new farmers' market shoppers and increase business at farmers' markets in less wealthy communities. It could also be a good strategy to connect Latino farmers with Spanish-speaking customers. The strongest support for this strategy was expressed at the Spanish-language focus group. In the survey, 56% of respondents felt this would be helpful (20% "very helpful," 36% "somewhat helpful").

## **ANALYSIS AND RECOMMENDATIONS**

Detailed descriptions of recommendations for addressing scale and improving values-based marketing, improving wholesale marketing opportunities, and improving direct marketing are provided throughout this study. This section analyzes these recommendations, looking first at recommendations specifically relevant to organic farming, examining farmer interest in solutions, and dividing recommendations by relevance to different audiences.

### ***Organic-specific issues and recommendations***

Many of the marketing barriers affecting small and mid-sized organic growers are a function of scale and subsequently affect all smaller growers. Nonetheless, organic farmers face a number additional barriers not faced by other smaller farms, including the following:

- The need to recoup higher production costs.
- Unstable demand and prices for organic products.
- Competition with competing attributes such as “local,” “sustainable” and “no-spray.”
- Consumer concerns regarding food safety of organic products.
- Consumer confusion regarding the fact that organic does not necessarily mean small, local or family-farmed.
- Limited access to organic price information.
- Limited university research and outreach for organic production and marketing.
- Low demand for organic products in certain regions.

Marketing barriers facing small and mid-sized organic growers may be best exemplified by the fact that 41% of survey respondents reported selling organic products as conventional due to a lack of marketing opportunities for their organic products.

An issue of particular importance is organic certification, which raised the some of the strongest organic-related commentary in the study. Respondents discussed the consequences of the national organic certification system: by creating one standardized label with no nuances or differentiation, the national standard means that small local organic farms must compete with very large organic farms and organic farms overseas. Additionally, the expenses of organic certification can prove overwhelming for the smallest of farms. While some respondents criticized organic certification, others felt strongly that using organic certification is essential to preserving the integrity of organics.

To address certification issues, respondents recommended finding more options to distinguish between “barely organic” and “beyond organic,” and creating a simplified and cheaper organic certification process for the smallest of farms. Finding a way to help transitioning organic farmers get price premiums during the three-year transition period, or subsidizing the transition to organic, would be helpful as well. Other organic-specific recommendations included increased consumer education about the meaning of organics and about organics and food safety; increasing purchasing of organics by public agencies; and improving university research and outreach for organic farmers.

### **Farmer interest in solutions**

Survey respondents were asked to rank the importance of four broad categories of assistance they would find useful: (1) direct marketing; (2) wholesale distribution; (3) information, communication and technology; and (4) regulations and certification. As seen in Figure 3, direct marketing, regulations/certification and information/communication/technology were all ranked highly. Assistance with wholesale distribution was ranked as less important.

**Figure 3: Importance of broad categories of solutions**

Category	Importance (scale of 1-10)	% Responding "Important" <sup>10</sup>
Direct Marketing	7.4	92%
Regulations and Certification	6.9	86%
Information, Communication and Technology	6.6	90%
Wholesale Distribution	4.5	65%

The survey also elicited farmer perceptions of specific solutions generated through interviews with farmers, buyers and others. As seen in Figure 4, the most popular recommendations are related to direct marketing and regulations/certification. Of the top-ranked recommendations, three are related to consumer education while two are related to food safety. The least popular recommendations are related to wholesale marketing, likely due either to the fact that only 44% of respondents sell wholesale or to lack of interest in wholesale due to the challenges involved. Notably, all recommendations received interest from over 50% of farmer respondents.

**Figure 4: Grower interest in potential solutions**

Recommendation	Importance (1-10)	% Responding "Important"
1. Food safety regulations accounting for farm size, marketing methods	7.9	91%
2. More money and promotion for buy-local campaigns	7.6	95%
3. Simplified organic certification process for smallest-scale farmers	7.2	83%
4. Funding to help smaller farms comply with food safety regulations	7.0	84%
5. More consumer education on organics and food safety	6.9	90%
6. More consumer education on the meaning of organic	6.8	86%
7. Policies supporting local and organic purchasing for public agencies	6.7	81%
8. Farmer-to-farmer networking opportunities for sharing information	6.6	85%
9. Increasing grants for direct marketing and value-added production	6.3	79%
10. Databases to connect growers and buyers based on products	6.2	84%
11. More enforcement of "no-spray" advertising in farmers' markets	6.2	75%
12. Simplifying regulations for direct marketing	6.0	76%

<sup>10</sup> 'Important' groups the categories of 'Somewhat important' and 'Very important.' The difference between these two categories is accounted for in the weighted score from 0-10, which explains the difference between the percentage scores and the weighted scores.

13. Development of marketing cooperatives or distribution systems	5.9	80%
14. Low-cost consultants to help with business planning and marketing	5.9	78%
15. Reduced packaging requirements	5.9	75%
16. Improved information about organic prices	5.8	78%
17. Different labeling for “barely organic” vs “beyond organic” farms	5.8	77%
18. Help with developing marketing materials and “telling the story”	5.7	79%
19. More organic research and Cooperative Extension assistance	5.5	79%
20. Reusable box system to reduce box costs	5.5	75%
21. Retail-format farm stands or stores that sell local produce	5.3	74%
22. Help with cutting-edge technology, Internet marketing and websites	5.2	76%
23. Development of “bundled CSAs”	4.9	71%
24. Toolkits or workshops for farmers' markets, CSAs, agri-tourism	4.7	73%
25. Gatherings and field days between distributors and farmers	4.3	65%
26. Online ordering systems to reduce need for middle buyers	4.2	61%
27. Workshops on how to sell wholesale	3.8	71%
28. Encouraging use of EBT (food stamps) and WIC at farmers' markets	3.8	56%
29. Loans, technical assistance from wholesale buyers	3.8	54%

### ***Farmer information sources***

The survey elicited information on farmer preferences for obtaining information about marketing. The most popular sources of information were other farmers and Internet resources, each preferred by 70% of survey respondents. Buyers, distributors and customers were the next most preferred source of information at 56%, followed by email (55%) and farmer organizations (52%). Additional sources of information were magazines and newspapers (40%), workshops and classes (37%) and conferences (28%). Cooperative Extension advisors and books were cited by only 27% of respondents. Only 8% cited consultants, while 5% preferred audio books and pod casts and 3% preferred TV and DVDs for marketing information.

These findings point to the importance of farmer-to-farmer networking, which is confirmed by the fact that 85% of respondents would find increased opportunities for farmer-to-farmer networking helpful (48% “very helpful,” 37% “somewhat helpful”).

### ***Recommendations by sector***

To facilitate action, recommendations are divided by relevance to different audiences, including farmers, buyers, policymakers, organizations serving growers and researchers.

#### ***Farmers***

Small and mid-sized organic farmers themselves can improve their marketing opportunities by:

- Differentiating themselves from large organic and small conventional farms through direct relationships with customers and telling the story of their farms.
- Competing on values rather than price.
- Developing diversified production and marketing systems.
- Working together to access larger markets through marketing cooperatives, distribution hubs and bundled CSAs.
- When selling wholesale, focusing on quality and appearance, packing, frequent communication, and developing knowledge of the wholesale market.
- Sharing information with each other via farmer-to-farmer networks.

### *Buyers*

Buyers can improve their ability to meet consumer demand by sourcing from small and mid-sized organic farms by:

- Educating growers on wholesale quality and business standards.
- Supporting the development of marketing cooperatives and consolidation points to aggregate product and reduce transaction costs.
- Working with growers to develop cropping plans to coordinate supply and demand.
- Supporting organic transitions through loans or technical assistance.
- Communicating with customers about the values and specific issues of buying from small and mid-sized organic farms.
- Sharing information with other buyers about the issues and opportunities involved in working with smaller-scale farms.

### *Policymakers*

Policymakers can support small and mid-sized organic farmers by:

- Increasing support for organics via policies explicitly recognizing the social and environmental benefits of organic production.
- Expanding existing programs supporting organic agriculture, including certification cost-share, research and technical assistance and payments for conservation practices.
- Preferential purchasing of local and organic foods by public agencies.
- Expanding research and outreach to organic growers through land grant universities.
- Improving organic data collection and dissemination.
- Improving organic price information.
- Helping to connect growers and buyers through the development of online databases.
- Improving regulations regarding food safety and direct marketing to take smaller-scale organic farms into consideration.

### *Organizations*

Organizations that work with small and mid-sized organic farms can improve marketing opportunities by:

- Educating consumers on the meaning of organics and the importance of buying locally from small organic farms.
- Supporting information transfer by facilitating exchanges between farmers and buyers and farmer-to-farmer networking opportunities.

- Helping farmers learn about and access funding opportunities.
- Consolidating existing information about farming and marketing.
- Developing a centralized database of farmers and buyers.
- Hosting workshops on marketing, food safety, working with wholesalers, online marketing, and organic transitions.
- Supporting development of distribution infrastructure, cooperatives and consolidation hubs.
- Providing more outreach and technical assistance for limited-English farmers, as well as assistance linking immigrant and minority farmers with members of those communities.

### *Research*

Several research needs were identified in the study, including:

- Research on alternative distribution networks including cooperatives, distributors, values-based supply chains, and aggregation hubs.
- Research on organic production<sup>11</sup> and marketing systems specifically relevant to small and mid-sized organic farms.
- Local foods system research to identify opportunities for strengthening local demand and improving market access for small and mid-sized farms.

## **CONCLUSIONS**

Marketing presents significant challenges for many small and mid-sized organic farms. While many challenges are related to farm scale, a number are unique to organic growers. Farmers are finding creative ways to overcome marketing challenges through values-based marketing, developing personal relationships with customers and telling the story of their farms.

Direct marketing has historically played a key role in values-based marketing for smaller-scale organic farms, and continues to do so. However, as consumer demand for locally produced organic food from smaller farms increases, wholesale, retail and institutional buyers are increasingly interested in working with smaller-scale farms. While many buyers expressed strong interest in working with small and mid-sized organic farmers, they also cited significant challenges, including price and transaction costs. These challenges create a major bottleneck in marketing for small and mid-sized organic farmers, who in turn experience difficulties in accessing these larger marketing channels. There is a strong need to develop financially viable ways to bridge this gap between smaller organic farms and larger distribution and marketing channels. The development of values-based supply chains, including marketing cooperatives, distribution hubs and sympathetic distributors could help smaller farmers access the markets that are currently accessible only to larger farms.

Farmers expressed high interest in a range of recommendations, particularly improved food safety regulations, increased consumer education, and expanded opportunities for farmer-to-farmer networking. There are many clear opportunities for farmers, buyers, policymakers, organizations and researchers to improve marketing opportunities for small and mid-sized organic farmers and increase the viability of this key sector of U.S. agriculture.

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<sup>11</sup> A number of farmers commented that in order to market successfully, they need more research support for organic production systems that will improve their ability to grow high-quality organic products.

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