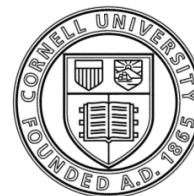


The Marketing Channel Assessment Tool for Small-Scale Producers

Matthew LeRoux
Agricultural Marketing Specialist



**Cooperative
Extension**
Tompkins County

Opportunity is knocking...

CSA

Farmers' Market

U-Pick

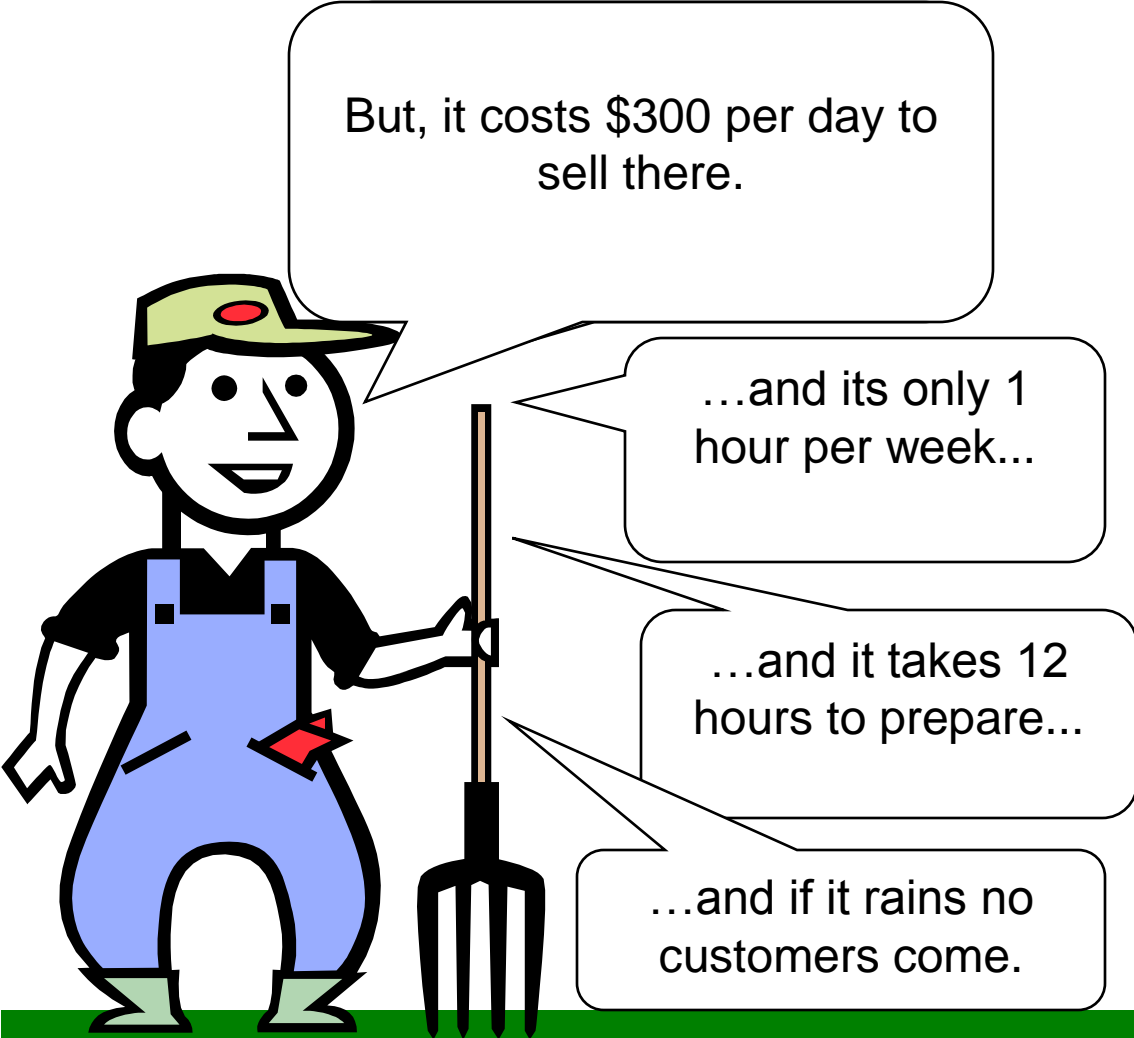
Restaurant

Grocery

Cooperative

Distributor

Farm Stand



But, it costs \$300 per day to
sell there.

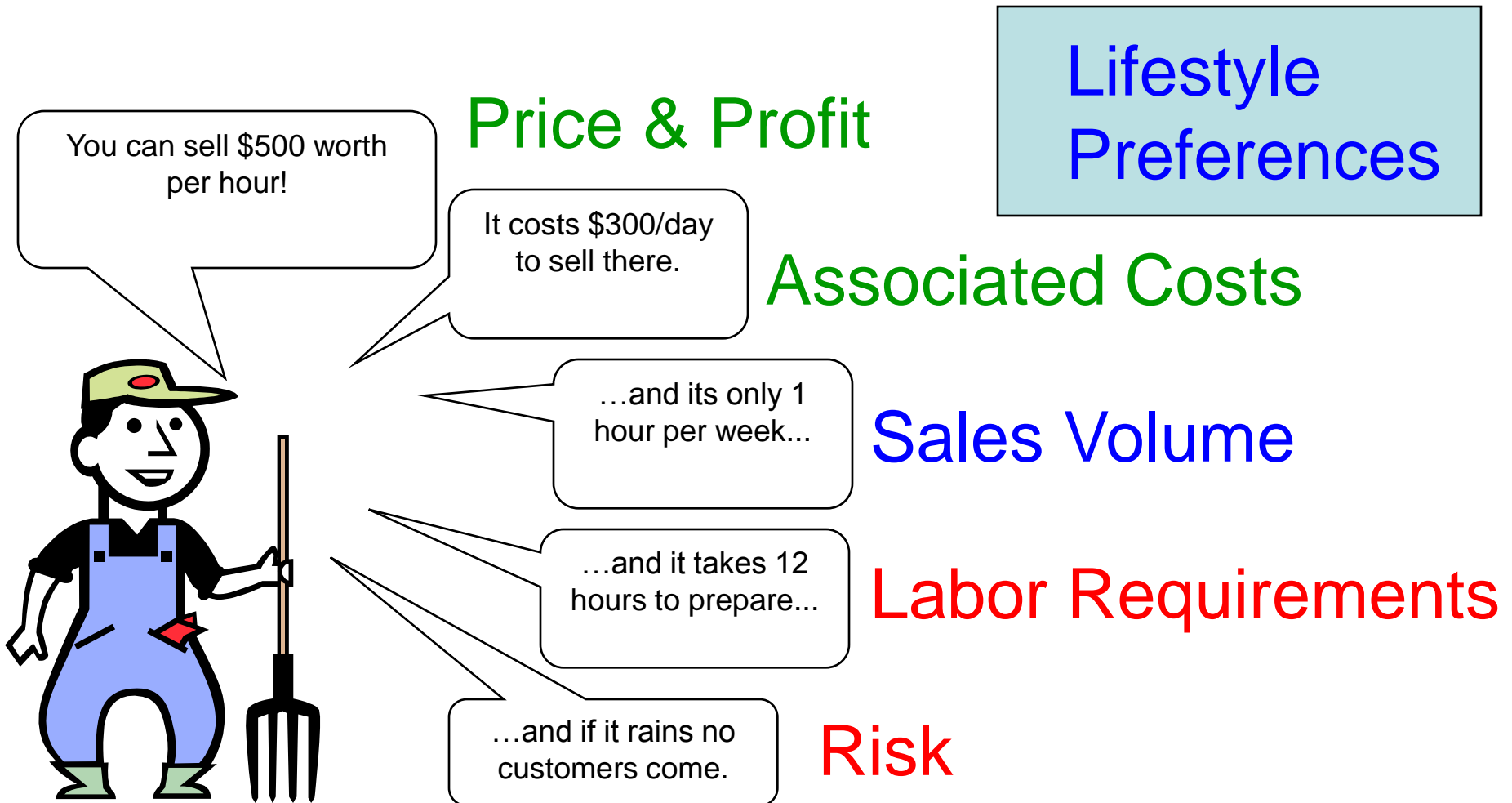
...and its only 1
hour per week...

...and it takes 12
hours to prepare...

...and if it rains no
customers come.

How do you evaluate a market opportunity?

Six interacting factors impact the “performance” of a marketing channel including:



Muddy Fingers Farm

- Diverse vegetable & fruit production.
- Farmers' markets, CSA, & restaurants.
- No paid labor, 6 working shares, family & friends that volunteer.
- 2.5 acres in production.
- Over 45 crops.



Methodology

- Collect logs of all marketing labor (from harvest to sale) for one typical, peak season week.
- Collect gross sales & mileage for the week.
- Collect ranking on lifestyle & risk.
- Collect weights for each ranked category.

Why labor logs?

- Labor is the largest marketing expense.
- Consistent unit and format.
- Operators tell hired help to complete the forms.
- Each employee filled out their own sheets.

Labor logs

Farm name

Name:

Joe

Date:

8/5

Time spent (to nearest 15 min):

45

Vegetable(s):

kale & chard

Activity: Check all that apply

Create Pick list Harvest Cull/grade/sort/wash Bunch/Bag/Package/Pack orders/boxes

Load/unload truck

Travel to/from market/make deliveries

Bookkeeping/Bills

Sales calls Sales Time/Set up/Take down Other (please describe) _____

Product Destination: Check all that apply (when possible, please write name of biz)

CSA

Restaurant _____

Ithaca Farmers' Market

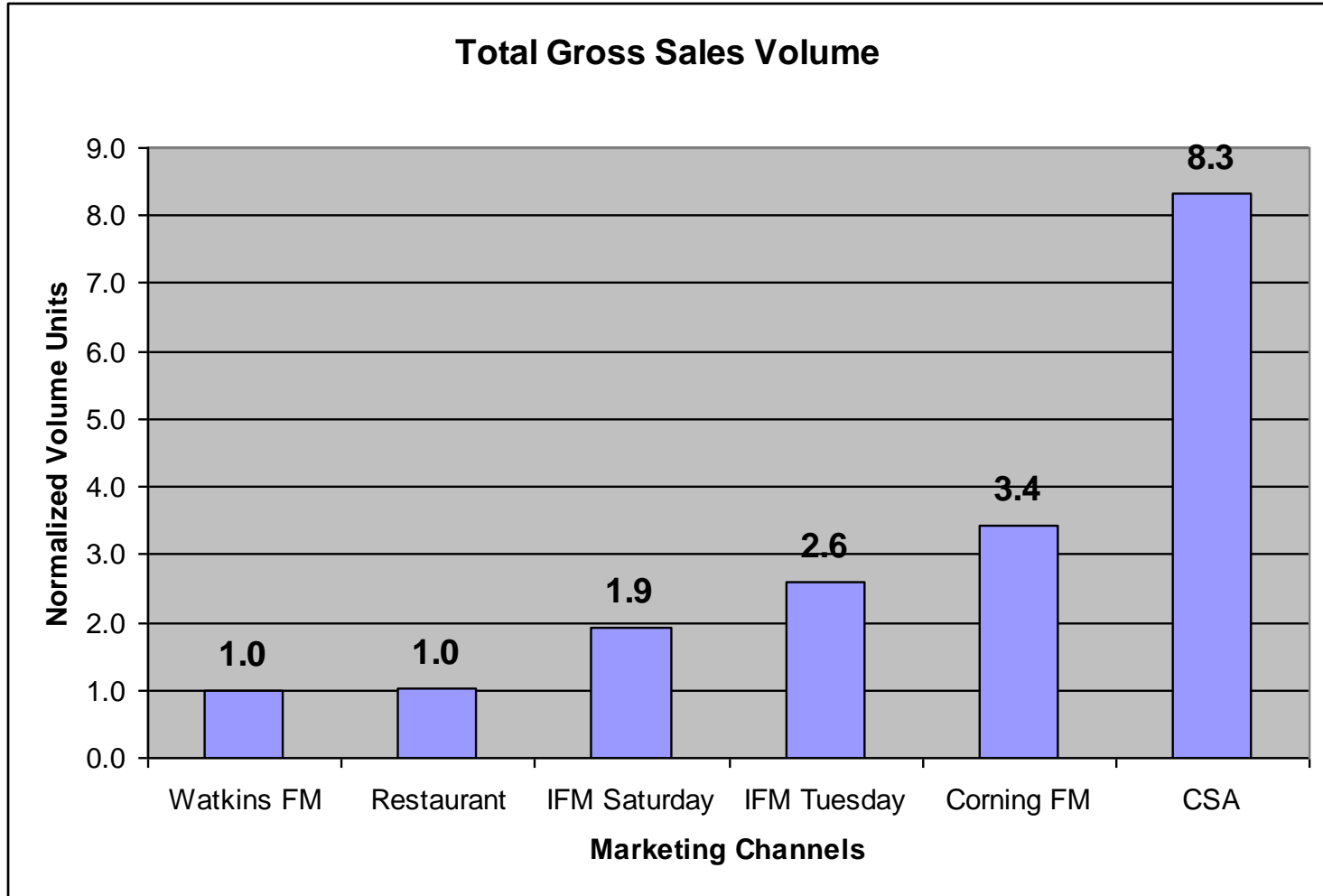
Other _____

Harvest → Process & Pack → Travel & Delivery → Sales time

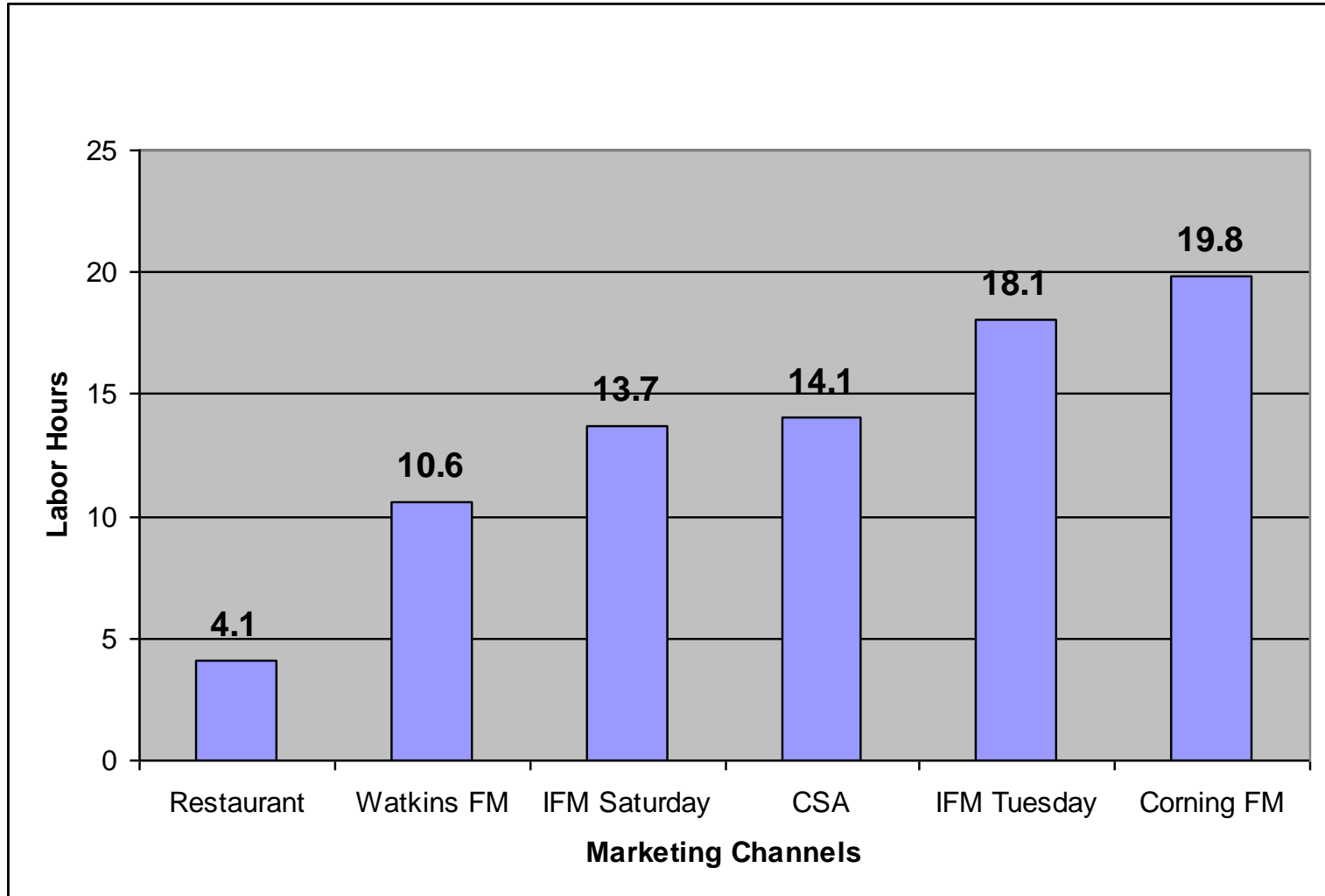
Methodology

- Use data to rank and compare channels:
 - Profit (gross sales – (labor + mileage cost))
 - Labor hours required
 - Sales volume
- Also use farmer ranking for :
 - Risk perception (financial risk, lost sales, etc...)
 - Lifestyle preference (enjoyment, stress aversion)

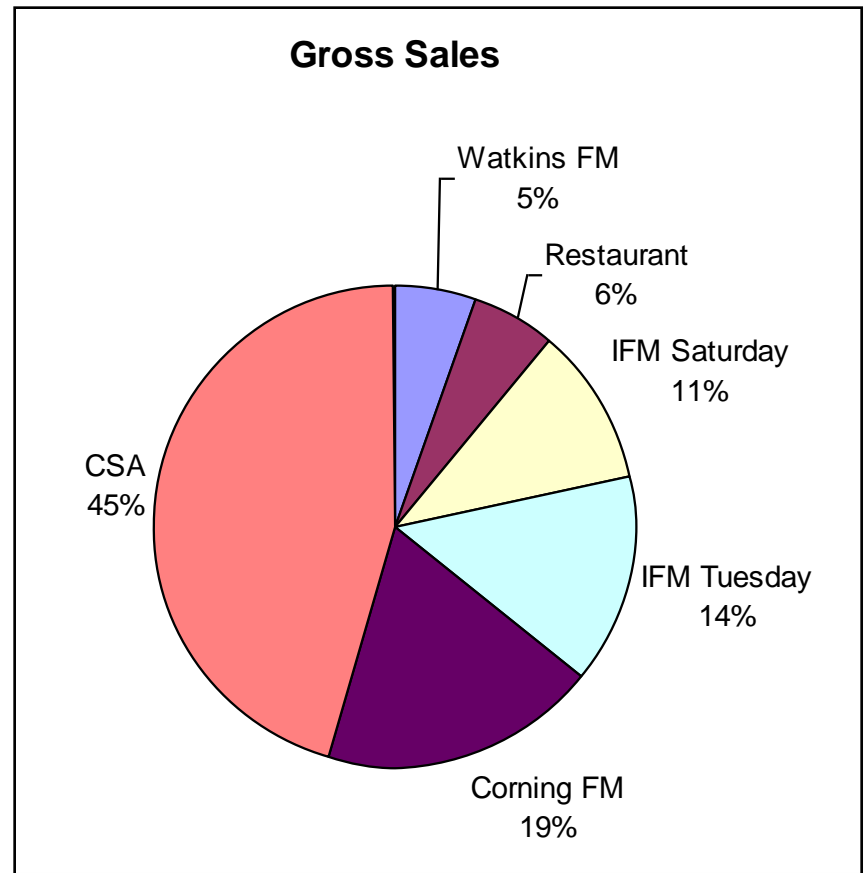
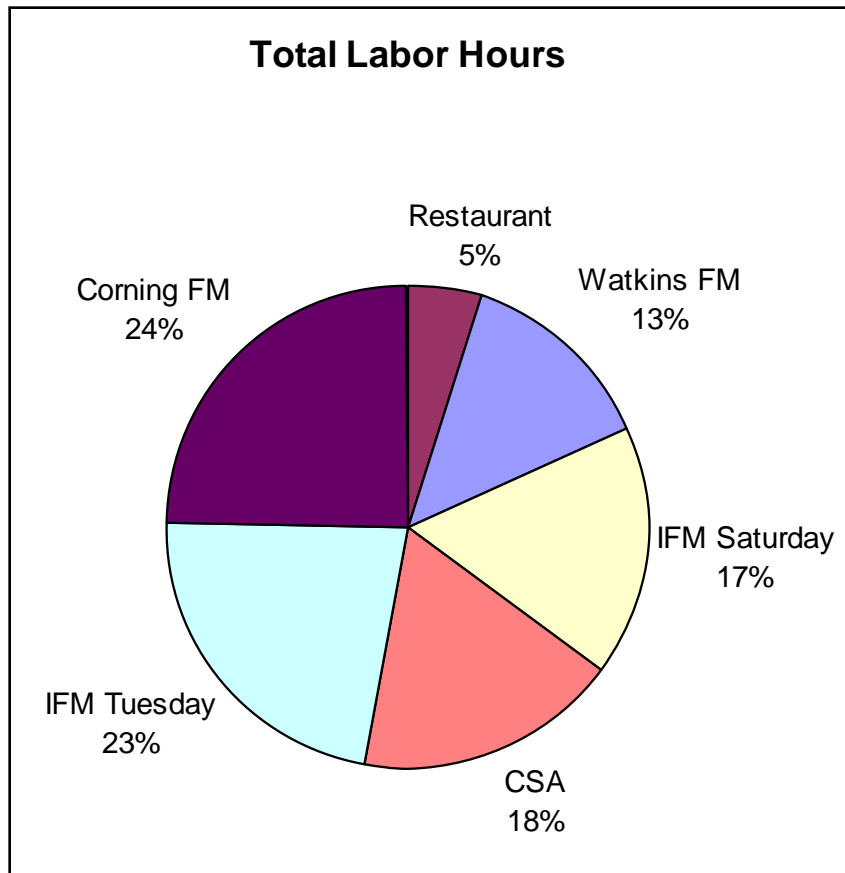
Sales Volume by Channel



Total Labor Hours



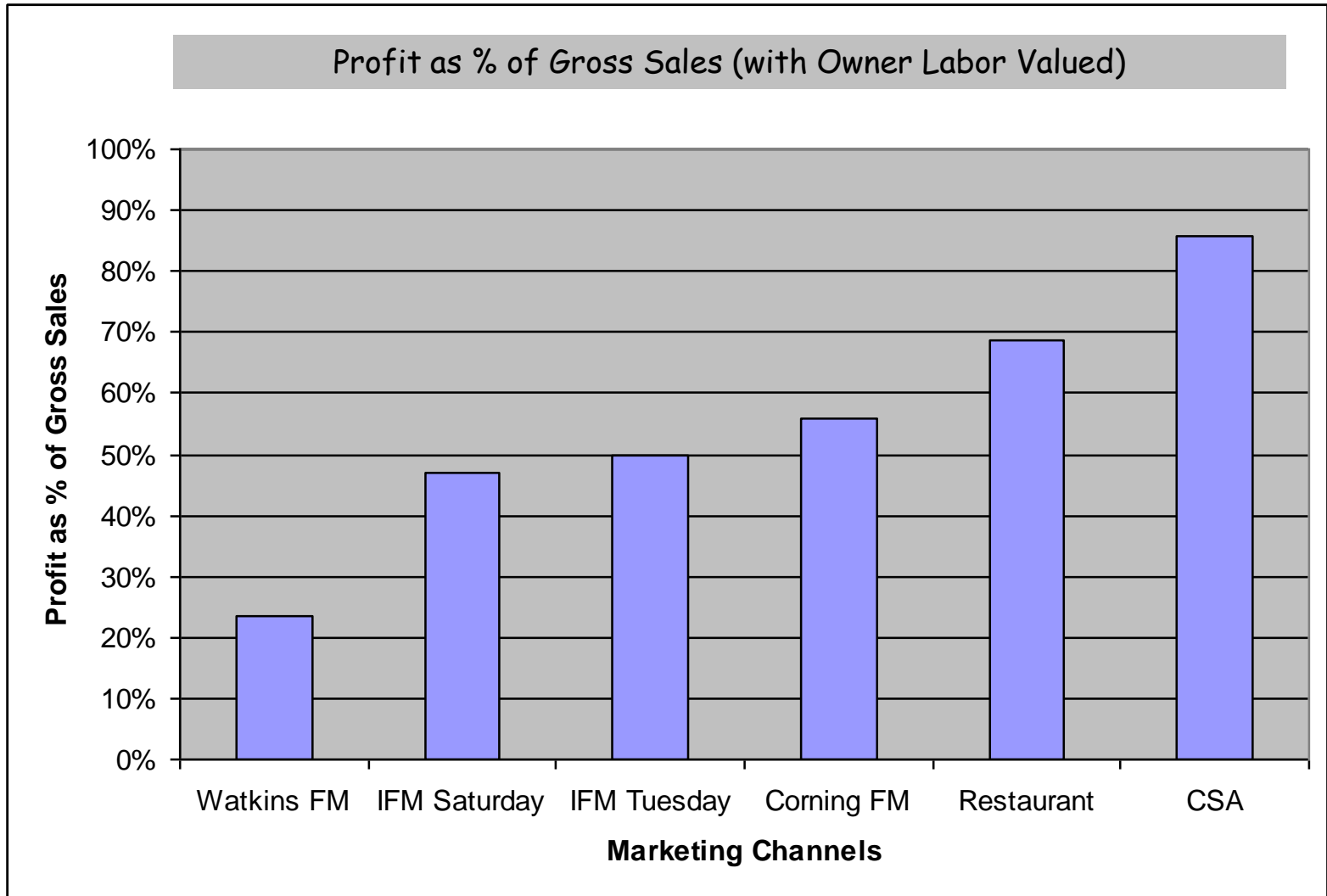
Simple Comparison of Labor & Sales



CSA: 18% of weekly labor, 45% of weekly gross sales.

Watkins Glen FM: 13% of weekly labor, 5% of weekly gross sales. (or 8%)

Profit



Risk & Lifestyle

| | | | | |
|---------|-----------|-----|------------|--|
| Channel | Farm Mkt. | CSA | Restaurant | |
| Risk | 2 | 1 | 2 | |

| | | | | |
|-----------|-----------|-----|------------|--|
| Channel | Farm Mkt. | CSA | Restaurant | |
| Lifestyle | 1 | 1 | 1 | |

- G. Please assign a “weight” to the importance that you feel each factor used to evaluate a marketing channel deserves. For example, if you don’t care about profit and are very concerned about how much labor a channel takes, you would assign a low weight to “profit”, and a high weight to “labor required.”

| | | | | | | |
|--------|--------|----------------|---------------|-----------|--------|-----|
| | Profit | Labor Required | Business Risk | Lifestyle | Volume | |
| Weight | 0.3 | 0.2 | 0.1 | 0.3 | 0.1 | = 1 |

Channel Ranking:

Based on 5 factors and farmer chosen weights.

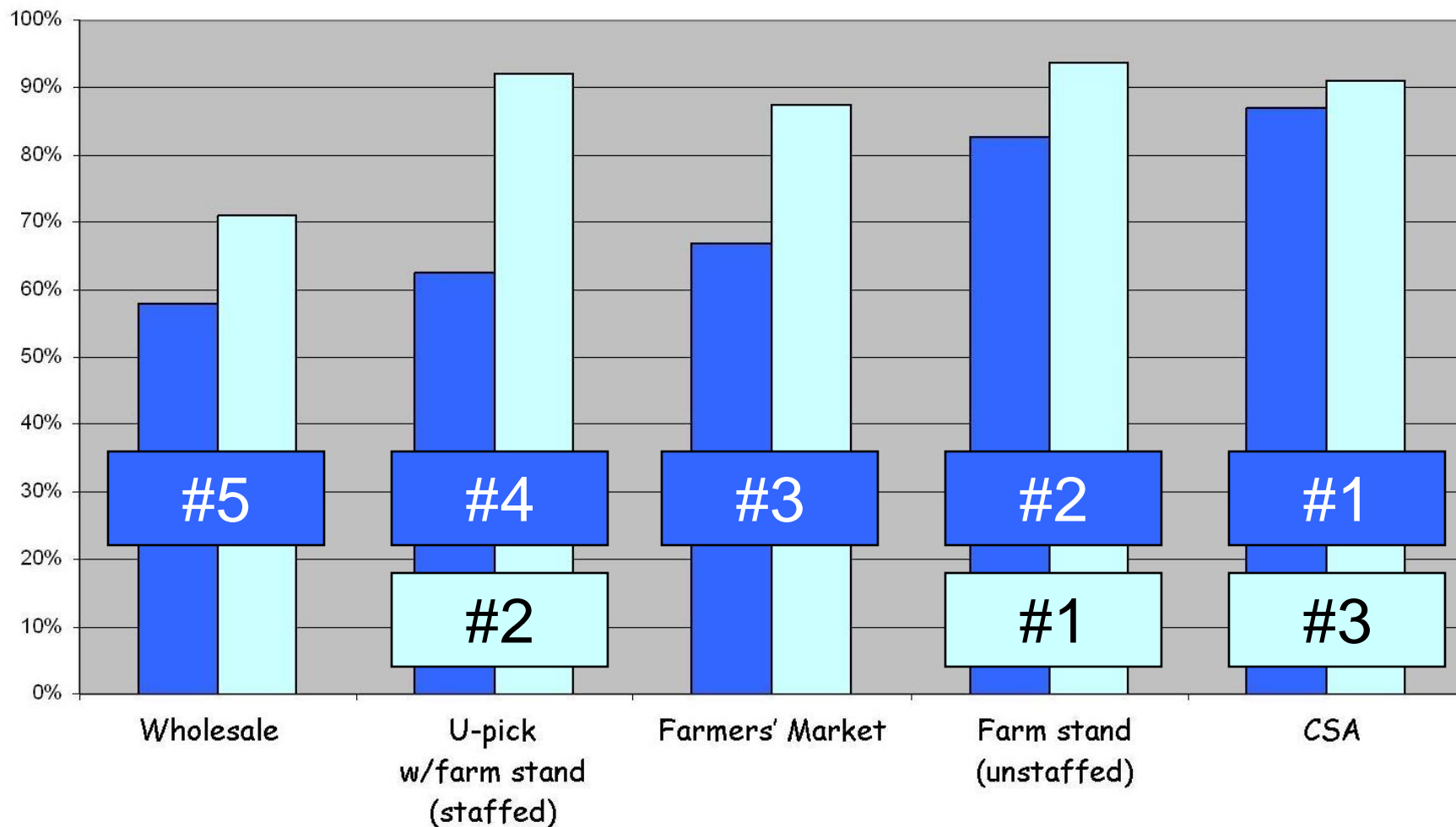
| | Sales Volume | Labor Hours | Profit Margin | Financial Risk | Lifestyle | Final Scores | |
|---------------------|--------------|-------------|---------------|----------------|-----------|--------------|----------|
| | Rank | Rank | Rank | Rank | Rank | Unweighted | Weighted |
| IFM Tuesday | 4.9 | 5.4 | 3.9 | 2.0 | 1.0 | 3.4 | 3.2 |
| IFM Saturday | 5.4 | 4.0 | 4.1 | 2.0 | 1.0 | 3.3 | 3.1 |
| Corning FM | 4.3 | 6.0 | 3.4 | 2.0 | 1.0 | 3.4 | 3.2 |
| Watkins FM | 6.0 | 3.1 | 6.0 | 2.0 | 1.0 | 3.6 | 3.5 |
| CSA | 1.0 | 4.2 | 1.0 | 1.0 | 1.0 | 1.6 | 1.6 |
| Restaurant | 6.0 | 1.0 | 2.4 | 2.0 | 1.0 | 2.5 | 2.0 |

Practical Application: Marketing Decisions

- Muddy Fingers Farm has been considering a marketing change, what should it be?
- Could drop the Watkins Glen Farmers' Market and add 12 shares.
- Weekly gross sales remain equal.
- 8-9 hours/week less labor.

Profit

Four Farm Average Profit as % of Gross Sales with Owner Labor Valued Versus Not Valued

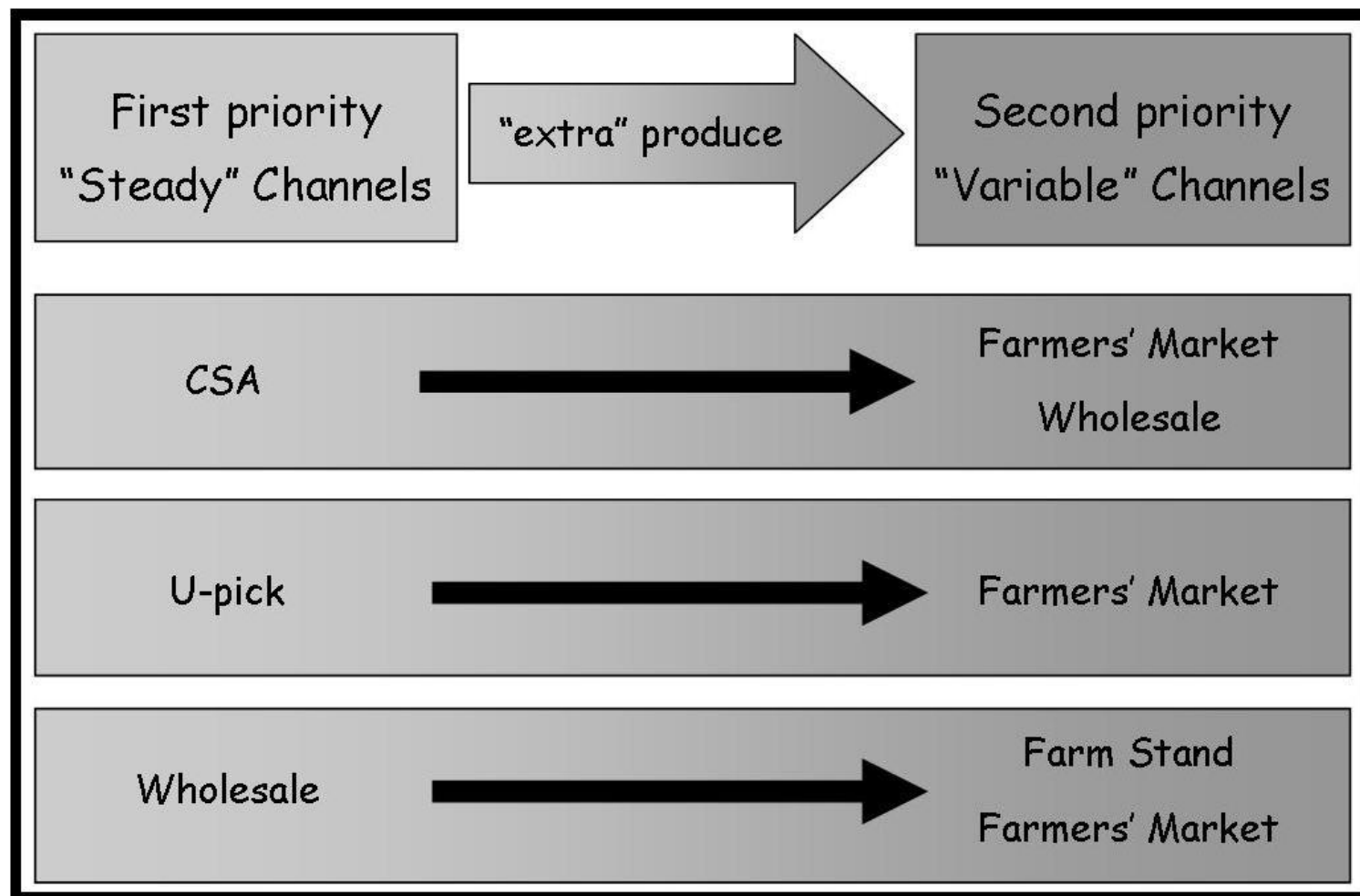


Owner labor assigned the value of \$8.50/hour.



Owner labor not valued.

Channel Combination with prioritized selling maximizes sales of unpredictable perishable crop yields.



- The Marketing Channel Assessment Tool has been developed.
- Farmers complete one week of labor logs and we analyze them.

Farmer Benefits:

1. Informed decision making
2. Increase in profitability, enjoyment of work.
3. Decrease in labor needs, stress, risk.
4. Benchmarking against similar farms.

Summary

- Identify your goals and lifestyle preferences.
- Keep marketing cost & returns records, if only for “snapshot” periods.
- Value your own time to present an accurate picture of marketing costs.
- Rank and compare opportunities to maximize profits.
- Combine channels to max sales and reduce risks.

Contact information:

Matthew LeRoux

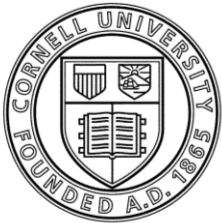
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