

Selling Local Foods

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Invest in Rural Missouri
A USDA-NRCS StrikeForce Project

Introduction

- “Selling Local Foods” workshop coming soon!
 - 14 modules on all aspects of selling local foods
 - In-depth discussion of marketing direct to consumers and marketing to intermediate market channels
 - Lots of background information
 - Visit the UM-MOStrikeForce Facebook page at <https://www.facebook.com/MOStrikeForce/>

Outline

- **Getting ready to sell**
- **Marketing direct to consumers**

Getting Ready to Sell

- A business plan is key to success!
- Marketing plan is part of business plan
 - Marketing strategy
 - Market analysis
 - Inventory and storage

Product

What can you do to make your product more appealing?

Place

What can you do to make your product more accessible?

Price

What can you do to make your prices more appealing?

Promotion

What can you do to make your promotions more visible and persuasive?

People

What can you do to make your human interactions with customers more friendly and helpful?

Getting Ready to Sell – Sales Tax

- Percentage of the purchase price
- Only collected if selling directly to end user – not to a grocery store or restaurant
- Percentage is based on where an item is purchased
- State, County, and City
- *Sales Tax License* – contact the Department of Revenue and obtain a sales tax license before making any direct sales

Getting Ready to Sell – Sales Tax

- **Do I have to charge and remit sales tax?**
 - If person or entity participating in farmers' market with *estimated annual sales of \$25,000 or LESS, they are exempt*
 - If person or entity participating in farmers' market with *estimated annual sales of \$25,000 or MORE, they must collect sales tax*

Getting Ready to Sell – Business License

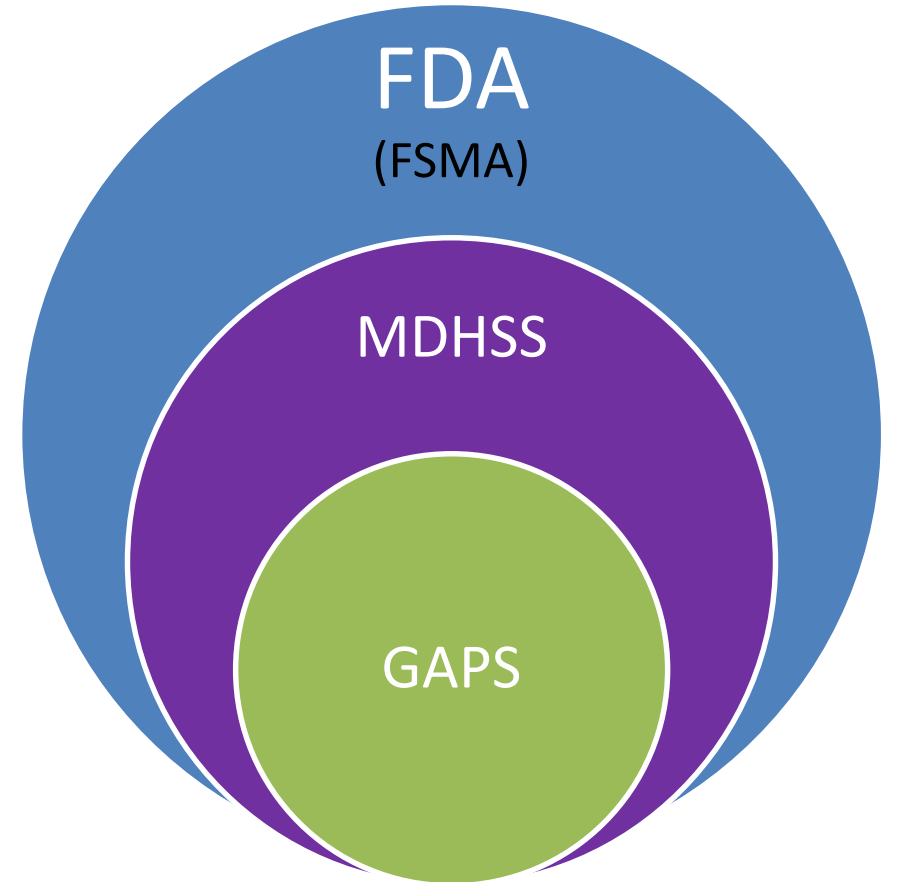
- **Check with your municipality or county**

Getting Ready to Sell - Regulations

- What about regulations?
 - Federal regulations
 - State regulations
 - County or municipal regulations
 - Sales venue regulations

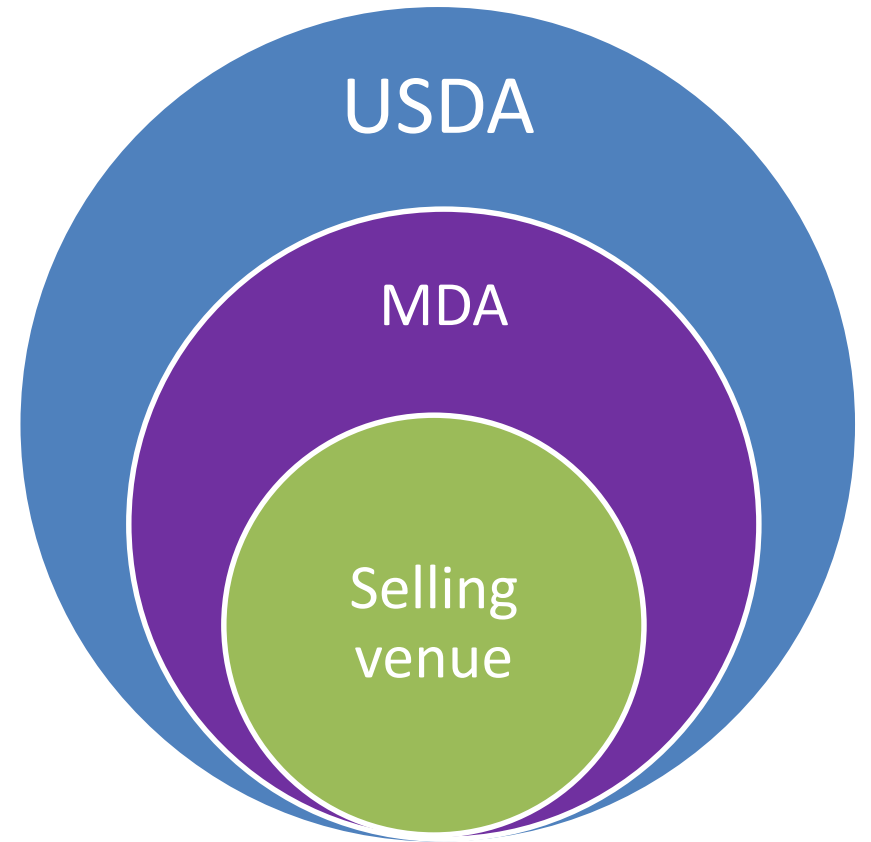
Getting Ready to Sell – Regulations

- Fresh whole unprocessed produce
 - Federal – FDA (through FSMA rules)
 - State – MDHHS (sanitary and not adulterated)
 - Venue of sales – GAPS or similar may be required, food safety training



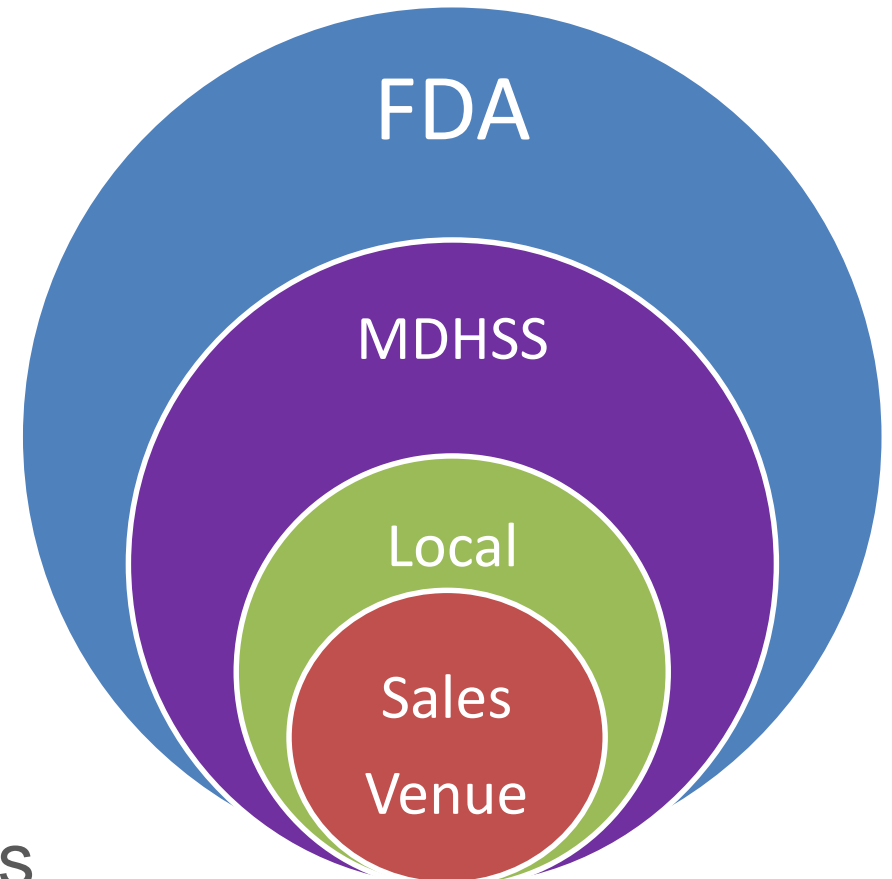
Getting Ready to Sell – Regulations

- Meats, eggs
 - Federal – USDA
 - State – MDA (Animal Health Div, Egg Licensing and Inspection)
 - Venue of sales – many potential regulations



Getting Ready to Sell – Regulations

- Processed products
 - Federal – FDA
 - State – MDHHS
 - Local (county and municipal health departments)
 - Venue of sales – many regulations



Getting Ready to Sell – MO Cottage Laws

- Covers processed foods prepared in non-inspected facilities
- Foods must be labeled
- Online sales allowed
- 50K maximum sales per year
- Only non-potentially hazardous processed food, except low acid canned and acidified foods as specified in 21 CFR 113 and 114 respectively, including, but not limited to:
 - breads,
 - cookies,
 - fruit pies,
 - jams,
 - jellies,
 - preserves,
 - fruit butters,
 - honey, sorghum,
 - cracked nuts,
 - packaged spices and spice mixes,
 - dry cookie, cake, bread, and soup mixes

Getting Ready to Sell – Food Safety

- Food safety
 - Difference between GAP and FSMA
 - Are you subject to FSMA rules?

What are the Missouri requirements?

Item	Requirement
Fresh whole, unprocessed* produce	Sanitary, not adulterated
Cut or peeled produce	Inspection required
Sprouted seeds	Dept of Health approval required
Wild mushrooms	Must be individually inspected by approved mushroom ID expert

*Washing, waxing, cooling, shelling nuts, removing leaves, stems, husks
NOT considered processing.

Getting Ready to Sell – Setting Prices

- Prices are market signals – the two sides to price are **Supply** and **Demand**
- How does a marketer arrive at a price?
 - Cost oriented factors
 - Explicit costs
 - Implicit costs
 - Market oriented factors
 - What market are you pricing for – prestige vs lower income, PYO vs roadside stand, rural vs urban
 - Are you trying to penetrate into a market?

Getting Ready to Sell – Setting Prices

- **The reality of setting price**
 - What is the going rate (your competitors)
 - Set a price with production costs unknown
- **Price flexibility is important**
 - Demand can change
 - Supply can change

Getting Ready to Sell – Setting Prices

**Sample prices
for berries:**

Crop	PYO	Prepicked
Blueberry	\$2.00-\$3.20/lb	\$4.65-\$5.20/lb
Blackberry	\$1.75-\$3.55/lb	\$2.00-\$5.00/lb
Raspberry	\$6.00/pint	\$8.00/lb
Strawberry	\$1.70-\$4.00/lb	\$2.00-\$5.00/lb

Getting Ready to Sell – Describing Your Product

- **Descriptive terms – what do they mean?**
 - **Certified organic** – must be third party certified
 - **Humanely raised** – must be third party certified
 - **Local** – not defined
 - **Sustainable, local, artisan** – not defined
 - **Heirloom, heritage** – not defined
 - **Fresh** – defined for meat
 - **Natural** – not defined except for meat
 - **Grass fed, free range, raised without antibiotics** – must be approved
 - **Hormone free, antibiotic free** – don't use these terms

Descriptors



Getting Ready to Sell – Other Considerations

- Scales used to weigh products – must be certified by MDA
- Sampling products – regulated by MDHSS and local departments of health
- Labeling – regulated by MDHSS

Agritourism

- What is agritourism?
 - PYO farms
 - Farm stands
 - Associated activities



Agritourism

- Location is critical
 - Most customers will travel 20 to 40 miles to a farm
 - Easy access is important
 - Clear directions on all promotional material



Agritourism

- **Considerations**
 - Managing people properly is critical – customer service, stick to rules, mark all areas clearly
 - Appearance is important
 - Remove any barriers
 - Accept all forms of payment
 - Provide for sanitation
 - Sufficient labor is important



Agritourism

- Who do you need in your phone contacts?
 - Insurance agent
 - Health department
 - Extension specialist
 - Mentors
 - Banker
 - Accountant
 - Attorney



Farmers Markets

- Advantages
 - Automatic customers
 - Immediate payment
 - Lower start up costs
 - Good entry point for new farmers



Farmers Markets

- Disadvantages
 - Must like people!
 - Lots of labor time
 - Transportation needs
 - Competition
 - No guarantee of sales
 - Customer loyalty to market (not to you)



Farmers Markets

- What do you need?
 - Join a market
 - Table
 - Canopy
 - Signage and posted prices
 - Containers
 - Cash box
 - Certified scale
 - Bags



Community Supported Agriculture (CSA)

- Members purchase shares of a farm's crop
- The crop is marketed before the season begins
- Members can contract for entire season or part of the season



Community Supported Agriculture (CSA)

- **Pluses of CSA**

- Farmer has market for all production
- Advance payment creates working capital
- Shareholders have input – production practices, support local farmers, urban-rural links
- Reduced wastage
- Risk spread among shareholders

Community Supported Agriculture (CSA)

- **Minuses of CSA**

- Consumers must be educated about local crop seasons
- Management can be a headache
- People skills are critical in manager

Community Supported Agriculture (CSA)

- Considerations
 - Can I produce the quantity and variety needed?
 - Population centers are best
 - Service is critical!!!!
 - Convenience
 - Value
 - Communication
 - Promotion is ongoing



Other Marketing Opportunities

- Restaurants
- Grocery stores
- Produce auctions
- Institutional agencies – hospitals, schools, military
- Processed products, in person or by internet

Final Thoughts

- MU Extension has specialists that can assist with marketing
- Attend a “Selling Local Foods” workshop

Any Questions?

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