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?

<table>
<thead>
<tr>
<th>Item</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh whole, unprocessed* produce</td>
<td>Sanitary, not adulterated</td>
</tr>
<tr>
<td>Cut or peeled produce</td>
<td>Inspection required</td>
</tr>
<tr>
<td>Sprouted seeds</td>
<td>Dept of Health approval required</td>
</tr>
<tr>
<td>Wild mushrooms</td>
<td>Must be individually inspected by approved mushroom ID expert</td>
</tr>
</tbody>
</table>

*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:

<table>
<thead>
<tr>
<th>Crop</th>
<th>PYO</th>
<th>Prepicked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blueberry</td>
<td>$2.00-$3.20/lb</td>
<td>$4.65-$5.20/lb</td>
</tr>
<tr>
<td>Blackberry</td>
<td>$1.75-$3.55/lb</td>
<td>$2.00-$5.00/lb</td>
</tr>
<tr>
<td>Raspberry</td>
<td>$6.00/pint</td>
<td>$8.00/lb</td>
</tr>
<tr>
<td>Strawberry</td>
<td>$1.70-$4.00/lb</td>
<td>$2.00-$5.00/lb</td>
</tr>
</tbody>
</table>
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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