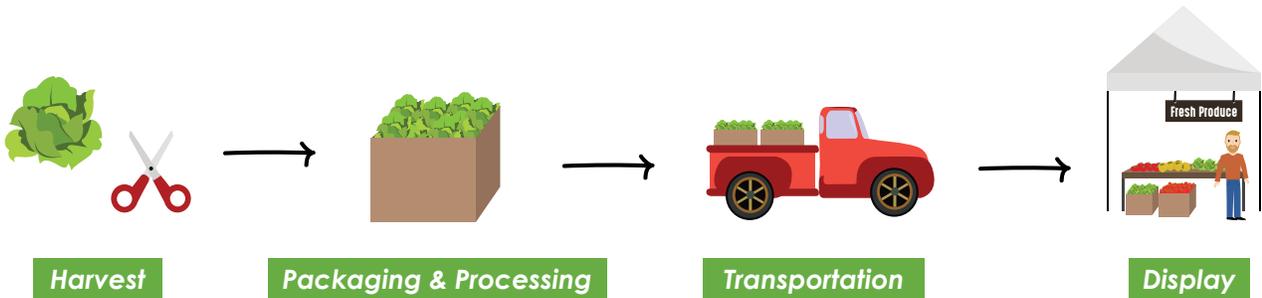


SALES MODELS FOR FARMERS

How to get your produce to market

A farm's sales model defines how a farmer processes, packages, delivers, and displays his or her produce at market. The sales model determines the farmer's workflow from harvest to sale and on. It impacts several costs and can determine the pricing a farmer is able to achieve.



Every farmer who is selling their produce needs a sales model. Furthermore, since the sales model has such a profound impact on costs, revenue, and general farm function, every farmer needs the right sales model.

The aim of this eBook is to help new and existing farmers to create a sales model that plays their strengths, bridges weaknesses, and treats the sales process as economically as possible.

To find the best sales model for their farm, farmers need to consider many factors. If they choose a great sales model, it will have several traits:

- It's appropriate to the target market
- It's cost effective for the line of business
- It's the most profitable option in the given situation
- The time requirements are viable
- It complies with GAP and other certifications
- It scales easily
- It leverages unique farm/produce traits
- It allows for a reasonable harvesting schedule

Farmers should choose their sales model with an understanding of their limitations. For example, if labor is a bottleneck, then the farmer will need to choose a sales model that cuts down labor costs. A farmer with limited transportation will need to prioritize that in his or her sales model or factor additional delivery drivers into the business plan.

Let's go through each of these traits and how different models approach them.

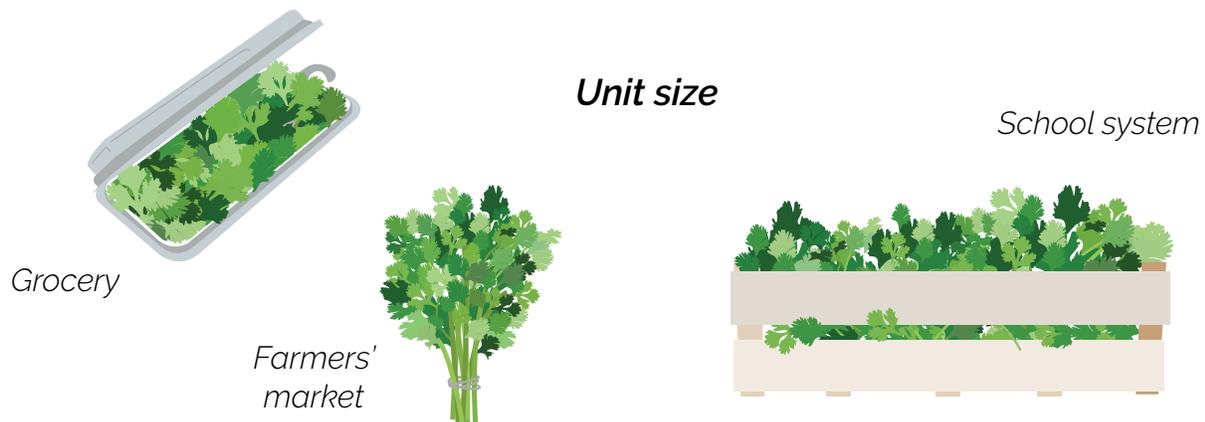
MARKET PREFERENCES

A farmer's target market will create sales preferences that impact the sales model. Different markets will require different quantities of produce, have pre-decided display features, and shelf-life or frequency needs.

Here are the biggest market preference factors that interact with the sales model.

UNIT SIZE

During market research, the farmer should ask market managers about the quantity the average customer buys. If selling to a large customer (for example, a school), the farmer is probably looking at a large unit size like crates or pounds. Farmer's market goers or grocery store shoppers will probably choose a much smaller quantity, however. In this case, a farmer will need a sales model that works with serving-size clamshells, heads of lettuce, or even ounces.

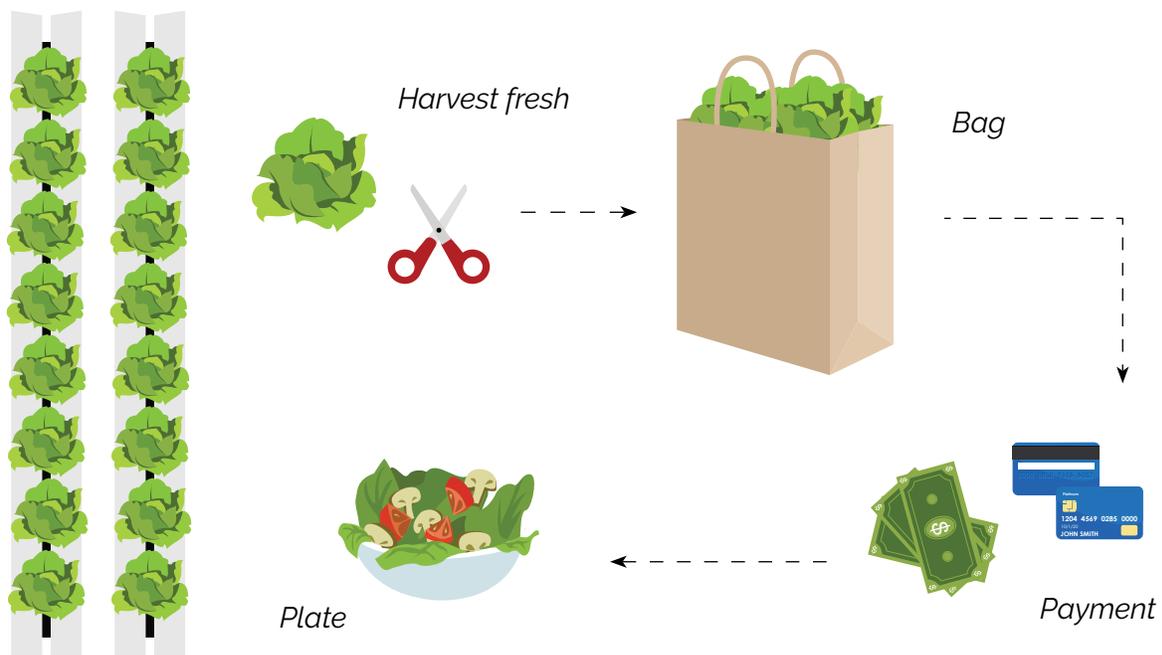


LIVE VS CUT PRODUCE

The assumption of most new farmers is that they will be harvesting and processing their produce themselves before bringing it to market. Many farmers still choose this method, but if labor costs are prohibitive or you have the opportunity to showcase a novel product, then a Live Sales Model is worth considering. In this model, the farmer brings the entire growing unit to market.

*Make sure to talk with your customer about this option. They might not have considered it before and could use some help understanding the benefits.

The Live Sales Model has been used in two specific scenarios among the Upstart Farmers. The first is in conjunction with ZipGrow Towers™, which allow a farm to bring the entire Tower full of living produce to market to sit in a display. In a grocery store or restaurant, the farmer may set up a simple display system with a pump to water the Towers during their display life. A variation on the traditional Live Sales Model uses ZipGrow Towers with a subscription or CSA-type payment style, with the farmer replacing Towers in a home or restaurant display weekly or bi-monthly.



The second common variation of Live Sales is for the sales of microgreens. Since microgreens are grown in a small (portable) tray, it's easy to transport living flats of microgreens to market. Since they are still alive, it's easier to keep them fresh at market. Once they arrive at market, farmers can allow customers to cut their own microgreens from the tray or buy an entire tray at once. (A typical [costing structure](#) is ~\$25-40 per tray.)

The most clear advantage of Live Sales is in labor costs and regulation. When a farmer can cut out hours of cutting and trimming harvested produce, they are able to save on labor costs. Some markets and certifications also require fewer steps for unprocessed (i.e. live) produce than they do for processed produce. This varies by location and regulator, but is worth individual research.

Not all markets are facilitative to Live Sales, however. If there is no room for a display system, if the farmer is unable to check in on the display regularly, or if the environment is not good for self-harvesting, then the farmer will have to sell harvested produce.

FREQUENCY

A market's preferred delivery frequency will impact the sales model as well. Frequency is determined by traffic and demand, shelf-life, and the storage abilities of the market. Some markets are only open at certain times (e.g. a once-weekly farmers market or a fair). Others may sell out faster than the shelf-life of the product. Casual markets may not justify a refrigerated storage space, which creates urgency to deliver produce within a few hours. For example, a 25-customer CSA that picks up at a local event center would require the farmer either to deliver quickly after harvest or keep produce in coolers at the pick up point.

TYPE OF PRODUCE

Market demand determines the crops that a farmer sells. The crop in turn impacts almost every part of the sales model. Different crops experience different shelf lives, require different [packaging and storage](#), and require different levels of labor to prepare for market. In general, look for opportunities or customers who are looking for herbs or greens. The majority of our farmers focus on herbs like basil as much as possible because of the higher price per pound.

LABOR & OTHER COSTS

LABOR ESTIMATES

Labor can be a bottleneck for small farmers with limited manpower or who are running their farm part-time. It's important to estimate the time required to implement a certain sales model. To estimate time (and therefore labor), time and add all of the tasks required to bring your produce through harvest, any pruning or cutting that needs to be done, packaging, delivery, and market upkeep.

For example:

Farmer Joe is harvesting basil from his ZipFarm. The first time he does it, he lists all the tasks that it takes to get his basil to market, including:

- Harvesting into baskets
- Bringing baskets to work table
- Pruning basil for packaging
- Packaging, labeling, and placing into crates
- Transporting crates to market
- Unloading

Farmer Joe times each task and then can add them and multiply them to calculate labor costs for harvesting a certain amount of produce.

Another thing that farmers like Joe can do is to add up all labor time and divide it by the delivery unit. Farmer Ryan Sweeney, for instance, found that beginners could package one clamshell of basil, including harvest, pruning, and labeling, in about ninety seconds. That's 40 clamshells per hour. This number was higher for experienced farmers - about 60 clamshells per hour.

Ryan also timed deliveries to use for labor cost estimates. He found that delivery to 15-16 stores took roughly 20 hours per week with two deliveries to each location each week.

Each farmer will have slightly different layouts and sales models and should adjust labor estimates for their farms, but you can get started here.

PACKAGING COSTS

Packaging costs can become significant for some sales models, especially if the majority of sales are done for pre-packaged produce.

When choosing packaging for produce, growers must consider not only market preferences but postharvest behavior of the produce they are packaging. Most greens and herbs benefit from a sealed plastic container (although there are exceptions - [more info here](#)). If tender greens must be stacked, then a hard-case container like a clamshell may be of benefit.

Packaging decisions can also increase or decrease labor costs. For instance, farmer Matt Marsh at American Heartland Acres prefers to use delivery bags that he can fit inside a 5-gallon bucket. This way, he harvests directly into the delivery package and eliminates middle steps of sorting herbs into smaller packages.

To calculate your own packaging, consult with your markets and compare prices of packaging. A local representative for a packaging company can be beneficial, as they allow farmers to try out packaging samples before buying.

PRICE POINTS

Pricing is an important part of your sales model. Farmers may price their produce through a variety of different pricing points.

FLAT RATES (PER WEEK/MONTH)

Flat rates are typically costs per a unit of time. Sometimes this involves a contract at the beginning of the sales relationship where the farmer agrees to supply a minimum amount per week plus a certain number of specialty items as they are in season. This price point works best for markets like CSAs that don't strictly need a certain quantity of the product for planning purposes.

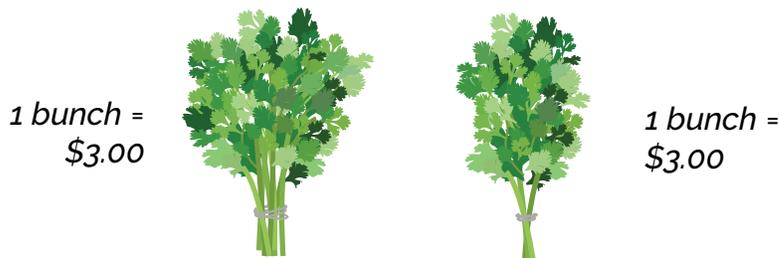
BY WEIGHT (BY OUNCE/POUND)

Weight is one of the most common pricing points for farmers. It is also a very quantifiable unit for farmers, which is useful in estimating yields and scheduling the farm. Greens such as lettuce or chard may be sold by the pound, while herbs or microgreens may be sold by the ounce.

BY UNIT (BY CLAMSHELL/BUNCH/BAG)

Selling by unit can be simple and appealing for customers who don't want to use a scale or who are more inclined to "eyeball" the amount of produce they need. (This is more typical at farmer's markets.)

The challenge of selling by unit is consistency. If filling bags or making bunches, measurements can be subjective. This can cause a difference between yield estimates and revenue.



Selling by unit could be more difficult if you are working with a distributor or retailer of some kind. For instance, a produce manager at a grocery store may stock his shelves based on weight rather than unit. In this case, you should make it easy on the produce manager.

BY GROWING UNIT (BY TOWER)

When using live sales (discussed above), farmers may deliver produce in the same unit in which it was grown. This could be a tray of microgreens, a ZipGrow Tower of greens, or even clamshell-grown sprouts. In this case, the customer may have the option of buying the produce per growing unit. (E.G.: 1 Tower of lettuce for \$18 or 1 tray of microgreens for \$30)

BY SHARE (CSA BOXES)

Finally, growers may cost produce by "share". This could get complicated if you have multiple markets, but also leaves room for some fluctuation in production. For instance, Bright Agrotech ran a CSA by share. Each week, all the produce was harvested and divided into shares. Although there was a contract outlining the minimum amount a share could include each week, it gave the farm margin for increased and decreased production. In the autumn the baskets would be overflowing with potatoes, squash, greens, and beets. In the winter, it was only 60-80% full with greens and herbs.

The CSA customers understood seasonality. This allowed the farmers to sell all of the harvested produce every week. Demand perfectly fit production because shares are relative to production.

[Read more here.](#)

SPECIALTY PRICE POINTS

If you're running a special sale, clearance event, or co-marketing with a value-added product, it might be worth considering a special price point. Combinations of certain products, "mystery boxes", or "pick a handful" are all ways that a farmer could do this.

Specialty price points could also be useful during special events (e.g. a seedling sale), when partnering with another seller (e.g. themed product combos).

*Note: Many small and/or local farmers undercut themselves in pricing, trying to compete with large produce-delivery companies like Sysco or Shamrock foods. This is a mistake; the small local farmers is selling a different product, and offering a different kind of relationship with the market than the "big guys" can.

LEVELS OF PROCESSING

PROCESSING & REGULATION

Different markets and certifications have different rules to follow. Food safety rules often include specification about the harvesting, processing, preparation, and storage steps. Since all of these are key parts of a sales model, farmers should be aware of regulation before starting to sell.

Here's an overview of produce safety regulation for farmers:

GAP and GHP certification

These are voluntary audits that certify your farm's processes as having taken precautions against microbial hazards for your produce. These audits encompass a wide range of well-known industry best practices as well as recommendations from documents like the FDA's [Guide to Minimize Microbial Food Safety Hazards for Fresh Fruits and Vegetables](#) (pdf).

For example, GAP certification can require different precautionary measures depending on whether produce is packaged and washed versus sold live.

You can learn more about type of audits, how to request and audit, and additional resources on best practices [here](#). Many states have their own manuals to help farmers get compliant ([here's Washington's](#), complete with pictures, diagrams, and explanations).

FSMA

The Food Safety Modernization Act is a reform of food safety regulation. It was passed in 2011, underwent public comment periods and revision, and is being implemented by the FDA. You can learn about the various strategies and changes to the law [here](#). Since it's a fairly new law, there are [grace periods](#) during which farms get to consider and plan to implement the new regulations.

You can learn more about the FSMA [here](#).

HACCP

"Hazard analysis and critical control points" is a voluntary management system that protects food safety at certain points in the production and distribution process.

Learn more [from the FDA here](#) and get [nonbinding recommendations here](#).

Note: Some local markets have specific regulations and requirements. Check in with the market manager before selling to make sure you aren't missing anything.



SCALING

Farmers who wish to scale their farm up in the future should consider how their sales model will scale with them. To assess whether or not a process will scale easily, we can separate inputs into two big categories: consumable inputs and non-consumable inputs.

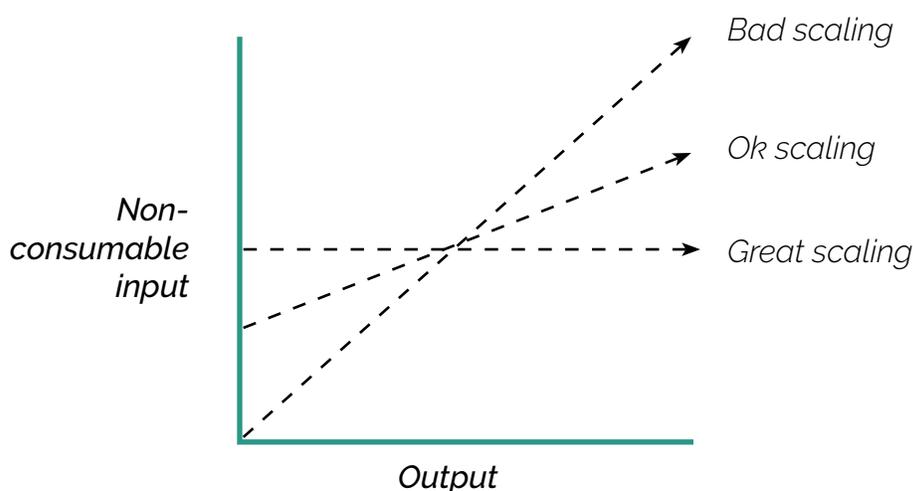
Consumable:

- Seeds
- Non-reusable media
- Nutrients
- Water
- Etc.

Consumable:

- Tools and equipment
- Space

The goal of good scaling is to increase output without increasing non-consumable inputs. For instance, if you can double your microgreen production without doubling the number of work tables (equipment; a non-consumable), that's a good scaling factor. If you can add a shelf of microgreens onto your flood table system without building an entirely new structure to house it, that's a good scaling factor. The point: keep unnecessary redundancy low.



There will have to be compromises, of course; your goal is just to minimize them. One equipment factor that makes scaling easier is modularity. If you can add pieces onto the system that have a specific function rather than adding a whole new set of pieces every time you want to add, then you save money and space. For example, the [ZipFarm](#) allows farmers to add 20 Towers to an existing farm without adding another IBC, worktable, light rack, etc.

Labor is another important consideration to scalability. Try to increase labor by less than you increase output.

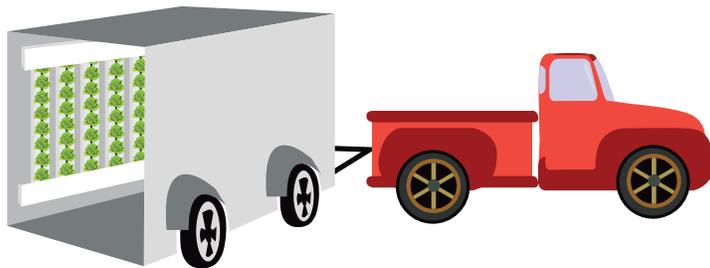
DELIVERY METHODS

Delivery methods vary greatly by farm, location, and especially funding. Some farmers prefer to simplify and reduce delivery costs by using personal vehicles, while others prefer to move larger amounts of product in a special delivery vehicle. When choosing a delivery method, remember to ask these questions:

- Does this product need cooling to stay fresh until sale?
- Does this delivery method allow me to move the largest volume of product that I might need to? (Does it accommodate my largest market?)
- What are the upfront and ongoing costs of this delivery vehicle?
- Does the profit from sales justify the costs of the vehicle?
- Does this vehicle compromise any of my food safety practices?
- Will this vehicle be able to reach the delivery destinations?

Upstart Farmers have used a variety of vehicles to deliver produce.

For Example: Chris Lukenbill moved living ZipGrow Towers in an enclosed trailer with Farm Wall gutters to irrigate them during transportation. These Towers populated various displays at his markets.



*Fresh with Edge
Farm's live Tower
transportation*

Other growers who have less produce to deliver may use personal vehicles with or without coolers until it makes sense to scale into a designated delivery vehicle. For example, one microgreen farmer said that the point of scaling would be "45 flats of microgreens and 50 pounds of lettuce every delivery." At that delivery size, produce sales would justify a cargo trailer with coolers for delivery.

** Not every farm has a delivery method! If running a farm stand or selling on-site alone, farmers can get away without a delivery vehicle. However, storage methods still need to be considered. On-site sales can represent a longer time for produce to sit out as customers filter in throughout a day.*

DISPLAY, SIGNAGE, & LABELING

Text coming

SPECIAL CONSIDERATIONS

FARMER PREFERENCE

Each farmer has strengths and weaknesses, and personality can have a bearing on sales model. Certain farmers may prefer more casual or formal sales settings; workers will find processes that suit them specifically, etc.

READY TO START SELLING?

As you can see, the sales model is an important decision. Now that you're armed with the considerations for choosing a great model, remember: things can change. Don't be afraid to start on a small scale and experiment before choosing a sales model.

ADDITIONAL RESOURCES

[Payment Tools Post](#)
[Postharvest Care eBook](#)
[Market Research eBook](#)

ABOUT BRIGHT AGROTECH

Upstart University is an online learning platform to help aspiring farmers learn what it takes to plan, launch, and operate their farming businesses.

For the price of three cups of coffee per month, Upstart U provides students with practical, experience-based coursework they can access from their own homes (or farms!) and at their own pace.

Upstart University gives students:

- (1) Over 30 courses teaching you everything from the basics of hydroponics to sales
- (2) A library of helpful farming/business resources
- (3) An active student community to share ideas and get feedback

If you're serious about starting your own modern farm, no matter how big or small, Upstart University will be the best investment you make to get there.

Join today at UpstartUniversity.net.

CONTACT US

The Sales Model is only part of the farm planning process. Need help with the rest? Enroll in USU if you have questions about business planning, equipment, or growing science.

Team members like Jason are standing by to help!



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