

Using Market Assessments to Inform Producers and Benchmark Performance

Elizabeth Naasz

Colorado State University

Department of Agricultural and Resource Economics

Co-Advisors: Dr. Becca Jablonski and Dr. Dawn Thilmany

7.8% of producers are selling through local markets

USDA classifies markets channels as direct or intermediated

Evidence of differences in market channel profitability

Each channel require different marketing inputs and strategies

Producers often do not track costs by market channel



In my
CSA?

I have this tomato to sell...
But where do I sell it?

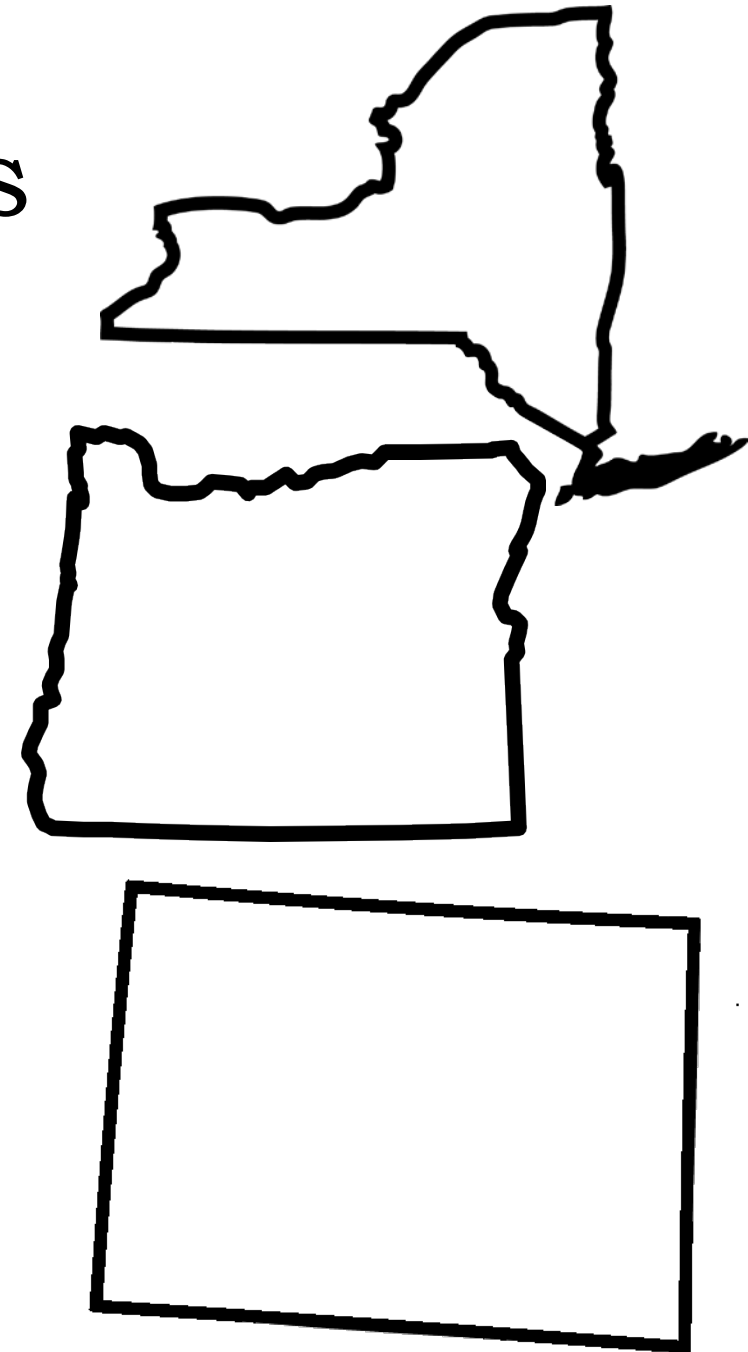
A Local
Restaurant?

The Farmers'
Market?

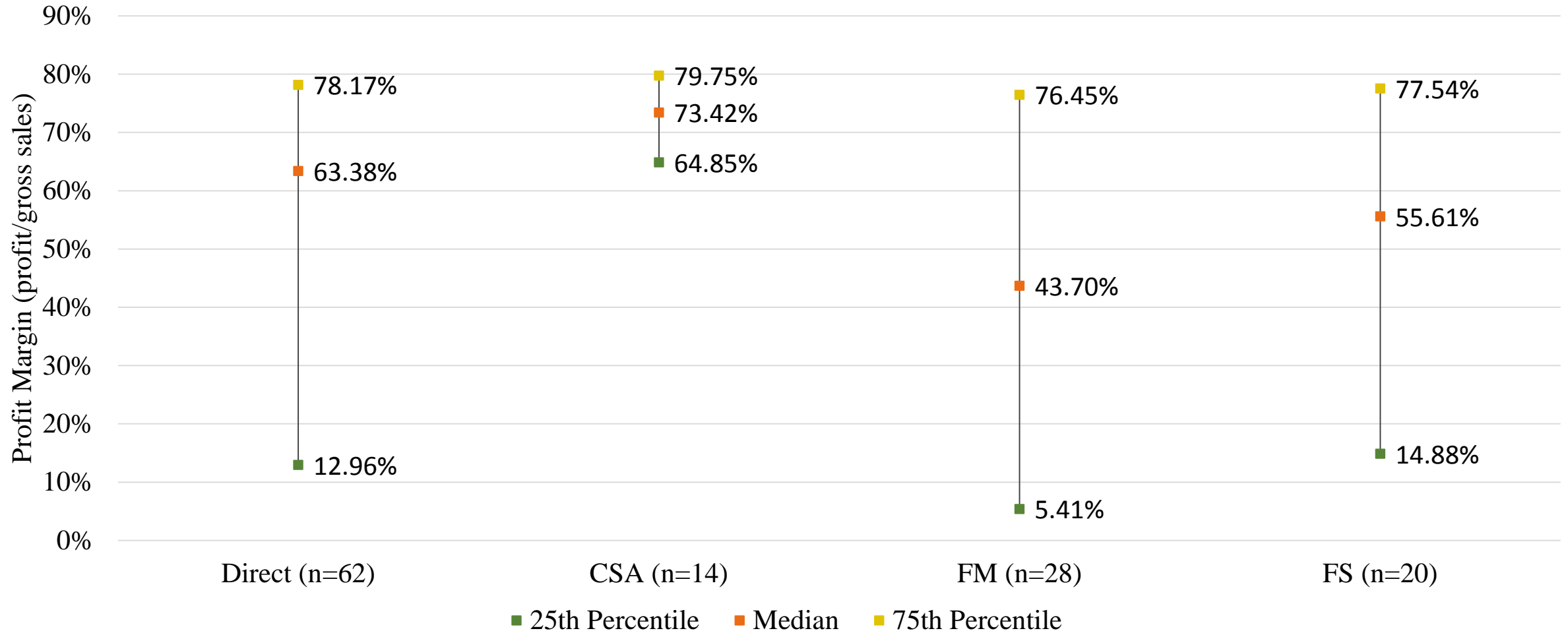


Market Channel Assessments

- **Target audience:** Specialty crop producers selling through multiple non-commodity markets
- Developed by Matt LeRoux at Cornell
- Utilized at Oregon State
- Adopted & customized by Colorado State



Profit Margin Percentiles, Direct Channels



MCAT Partnerships

- Partner organizations include:



United States
Department of
Agriculture



COLORADO
Department of Agriculture



Colorado Farmers Market Association
connecting farmers and consumers



Colorado
**Building
Farmers**



COLORADOSM
FRUIT & VEGETABLE
GROWERS ASSOCIATION

Colorado
State
University

Extension



**NORTHERN COLORADO
FOOD CLUSTER**

Program Goals

1. Conduct 50 market channel assessments for producers across Colorado
2. Improve tools to support more informed business decisions
3. Develop statewide benchmarks by market channel so producers can understand how they are performing compared to others and policy changes can occur



Program Goals

- **Behavior change goal:** more informed decision making on market channel choice
- **Learning goal:** better understanding of costs associated with market channels
- **Utilization goal:** producers take MCAT results and recommendations and change their business plan for following season – resulting in improved farm viability

Steps in working with producers

- Recruit participants
- Set up farm visit & do pre-data collection survey
- Producer collects data for one week
- Gather data from producer & pay producer \$100
- Put data into model & gather results
- Build producer report
- Deliver report & have half-hour consultation with producer



Recruitment process

- Work with Extension educators and others who work with producers to recruit
- Work with owners/operators of market channels
- All potential producers receive a packet of information



Data collection

- Pre-data survey
 - Mileage for market channels
 - Rankings on lifestyle & risk
 - Weights for importance factors
- Logs of all marketing labor for one peak season week
 - Instruction sheet
- Gross sales for the week

Anonymous Farm		WORKER NAME:		DATE:
TIME SPENT (to nearest 5 min):		PRODUCT(S):		
ACTIVITY: (Each log sheet should cover one activity at a time)				
<input type="radio"/> Harvest e.g., create pick list, organize staff for harvest, harvest	<input type="radio"/> Process/Pack e.g., cull, grade, sort, wash, bunch, bag, package	<input type="radio"/> Travel/Delivery e.g., load/unload truck, travel to/from market, deliveries	<input type="radio"/> Sales/Bookkeeping e.g., bookkeeping, billing, sales calls, sales time, set up/take down	
<input type="radio"/> Other (please describe):				
PRODUCT DESTINATION: (Check all that apply)				
<input type="radio"/> <i>Farmers Mkt 1</i>	<input type="radio"/> <i>Farmers Mkt 2</i>	<input type="radio"/> <i>Distributor</i>	<input type="radio"/> <i>Farm Stand</i>	
<input type="radio"/> <i>Restaurant 1</i>	<input type="radio"/> <i>Restaurant 2</i>	<input type="radio"/> <i>Farm 2 School</i>	<input type="radio"/> <i>Other _____</i>	
NOTES (e.g., case split out -6 cases of cukes harvested, 2 for FM 4 for restaurants, including names of markets):				

Results & Report

- Insert information from pre-data survey into model
- Use labor logs from producer to fill in labor hours
- Include data on gross sales
- Developed Visual Basic macro to pull data needed for the report into tables
- Develop report for producer

Employee name	Day	Product	Activity	Marketing Channel	Time (Minutes)	Optional Note

Results & Report

Sample Farm MCAT Report

Week interviewed: 07/19/2016 – 07/26/2016

- Included in report:
 - Labor hours by channel, activity, and employee
 - Gross sales per channel compared to total labor cost
 - Marketing profit per channel
 - Sales and gross profit per labor hour by channel
 - Preliminary statewide benchmarks
 - Final channel rankings with weights
 - Recommendations for producer

Farm Description

This is a sample farm located in Colorado.

Labor Hours Per Marketing Channel

These tables show how many marketing hours each channel demanded in one “typical peak season” week. Results are shown by marketing activity and by channel. The green section denotes measurements in hours. The orange section denotes measurements in percentage. This is a ratio of the activity by labor hours. For example, harvest time is 35% of total labor hours for Farmers Market. Note that only marketing labor is included here (e.g., harvest, wash & pack, travel & delivery, and sales & bookkeeping). We assume that production labor requirements are consistent across market channels.

Market Channel	Harvest	Process & Pack	Travel & Delivery	Sales & Bookkeeping	Labor Hours
Farmers Market	6.50	3.40	1.50	7.00	18.40
CSA	8.30	4.00	0.00	2.00	14.30
Restaurant	3.20	1.55	3.00	1.50	9.25
Farm Total	18.00	8.95	4.50	10.50	41.95
Farmers Market	35%	18%	8%	38%	44%
CSA	58%	28%	0%	14%	34%
Restaurant	35%	17%	32%	16%	22%
Farm Total	43%	21%	11%	25%	100%

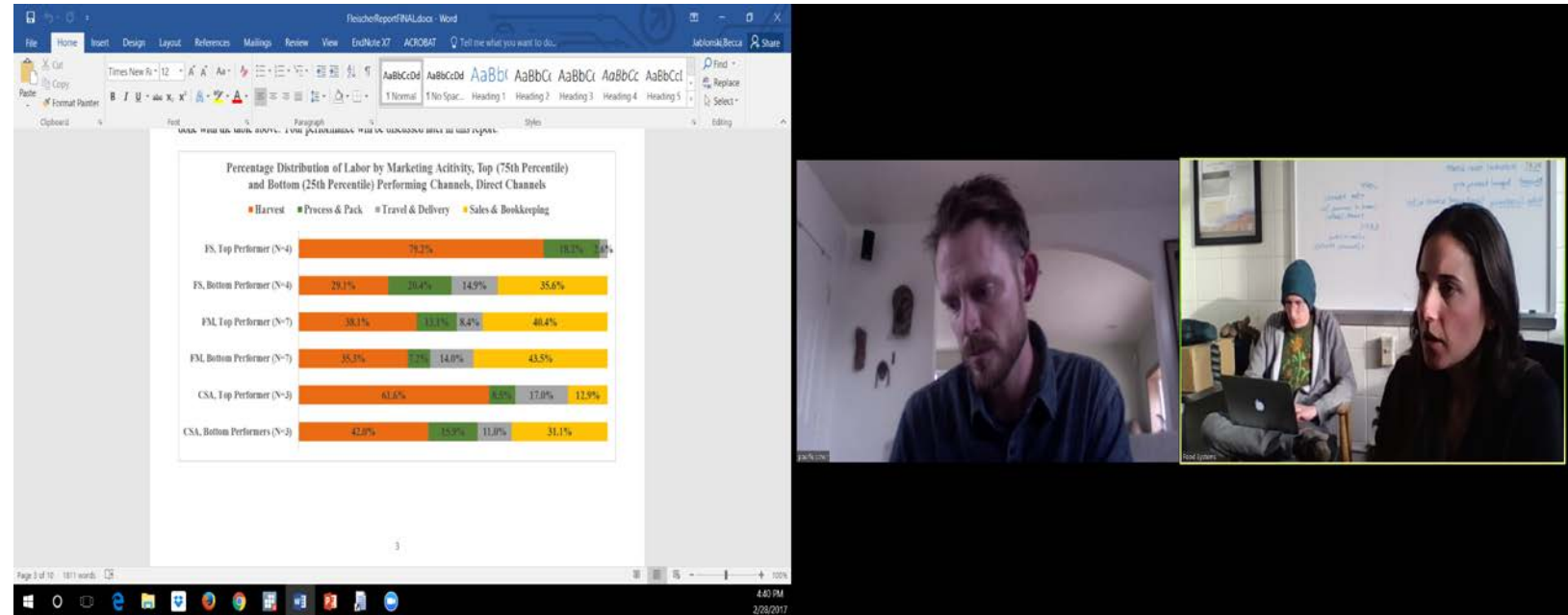
Next, the graph on the left shows the labor hours for each market channel as a percentage of total labor hours, as reflected on the yellow column (far right) in the orange section. The graph on the right is total labor hours by activity for all market channels. This is reflected by the farm total percentages along the bottom of the table above.

Direct Information Delivery

- Innovative in the way results are shared
- Utilize multiple different methods
- Individualized report:
 - Producers are emailed and mailed a first draft
 - Given the chance to look over before consultation
 - After consultation, changes are made, and final draft is sent via email and mail

Direct Information Delivery

- Consultations:
 - Computer software Zoom utilized
 - Videoconference and computer screen sharing
 - Allows for easy scheduling
 - Reduction in travel time and expense



Industry Information Delivery

- Statewide presentations
 - Initial benchmarks and basic info presented across the state
 - Wide audience including producers (CO Fruit and Vegetable Growers Association), Extension staff, technical assistance providers, and industry leaders
- [Website](#)
 - Introduction, basic information, statewide presentations, and on participation info
 - Promoted and directly linked by project partners



[Food Systems Home](#)

[Market Channel Assessments Home](#)

[About](#)

[State Benchmarks](#)

[Get Involved](#)

[Market Channel Assessments >>](#)

Calling all produce farmers in Colorado!



Market Channel Assessment Tool



As a farmer, you spend many hours picking, washing, and packing your produce in preparation for market. The produce may be distributed to many places – the supermarket, the farmers’ market, restaurants, CSA members, etc., and you may wonder which marketing outlet is actually the best.

The **Market Channel Assessment Tool (MCAT)** is available to help farms like yours evaluate the performance of different channels on their farm. The MCAT can help you to select the most profitable channels and to create ‘benchmarks’ for produce farmers in Colorado.

The purpose of the MCAT is to enable farmers to more easily evaluate factors such as the price, volume, time commitment, etc. for each marketing channel.

Delivery/Program Challenges

- Recruitment
- Peak season data collection requirement
- Large area to cover in short amount of time



Producer Feedback

- “This report gives me a concrete information on the hours I’m spending and will be really helpful for developing my business plan.”
- “It is good to see that benchmark to help us set a goal to be above that 50th percentile.”
- “This report really got me thinking about why I am selling in certain areas.”
- “It is pretty enlightening and very interesting. It wasn’t what I expected, and we learned something here.”
- “The work you’re doing really validates what we are doing as farmers.”

Evaluation of Results

- Only second state to develop benchmarks by market channel
- Follow up with producers to see if they made changes
 - How this affected profitability of farm
- Repeat participants



Thank you!

Questions?

More info: foodsystems.colostate.edu