MARKETING OPPORTUNITIES
HOW TO TURN YOUR PUMPKINS INTO PROFIT

An Introduction to Marketing

Begin with the End in Mind
- Develop a marketing plan BEFORE you grow
- A marketing plan helps to determine
  - What to grow
  - What else to offer
  - Who will likely buy it
  - Where to sell it
  - When to sell it
  - How to reach potential customers
  - How many you are likely to sell → How many to grow
  - Expected revenue and cost (Profit/Loss Potential)

Marketing is...

If I can grow it, I can sell it.

Not necessarily!

Overview
- An Introduction to Marketing
- Pumpkin Marketing
- Retailing Considerations
- Additional Considerations
- Additional Resources
Components of a Marketing Plan

- Market Analysis
  - Market Situation
  - Target Market
- Marketing and Financial Goals & Objectives
- Marketing Mix
  - Product
  - Price
  - Place
  - Promotion
- Marketing Budget
- Marketing Plan Check List

Supply: Census Data on Pumpkin Production

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<th>State</th>
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<th>Operations</th>
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According to the University of Illinois, 90 percent of the pumpkins grown in the United States are raised within a 90-mile radius of Peoria, Illinois, home of a Libby processing facility.

Demand for Pumpkins

- Pumpkins utilized for
  - Fall and Halloween Decorations/Activities
  - Processed Foods (Pumpkin Pie, Pumpkin Butter, Pumpkin Seeds, etc.)
- Halloween was a $5 billion business in 2008
  - Spending may be down ~15% in 2009
  - Survey shows average consumers plan to spend $14.54 on decorations in 2009

Potential Market Channels

- Wholesale
  - Food Processors
  - Supermarkets
  - Discount Store Chains
  - Wholesale Brokers
  - Agritourism Operators
- Retail
  - Farmers Markets
  - Roadside Stands
  - Pick-Your-Own Operations
  - On-Farm Retail Markets
Retailing Considerations

Product: What to Produce/Offer
- Who is your customer?
- What do they want?
- Décor vs Food Processing
- High Quality Pumpkins
- Unique Varieties
- Specialty products
  - Painted, scarred, carved, etc.
  - Complimentary products (Mums, cornstalks, straw bales, etc.)
  - Custom display designs
  - Experiences/Activities (hay rides, etc.)

Place: Choose a Channel
- Options
  - Farmers Markets
  - Roadside Stands
  - Pick-Your-Own Operations
  - On-Farm Retail Markets
- Consider
  - Available resources (land, labor, capital)
  - Customer accessibility to farm location
  - Customer needs/preferences
  - Access to successful farmers markets
  - Ability to offer experiences
  - Risk/liability tolerance

Farmers Markets
- Advantages
  - Can sell a little or a lot
  - No standard pack/grade, though presentation is important
  - Can be springboard to other market channels
  - Lots of social interaction
  - Tend to give preference to local farmers
  - High margin—full retail price
  - Provides good access to market intelligence - prices, consumer demand, popular varieties
- Disadvantages
  - Hard to move large volume of product
  - High costs per unit of product sold (in terms of labor and transport requirements)
  - Market schedules can be grueling
  - Waiting lists for successful markets
  - Small transactions
  - Requires selling to customers face to face
  - Requires good produce mix

Roadside Stands
- Advantages
  - Can sell a little or a lot
  - No standard pack/grade, though presentation is important
  - Can be springboard to other market channels
  - Can create your own schedule
- Disadvantages
  - Hard to move large volume of product
  - High costs per unit of product sold (in terms of labor and transport requirements)
  - Small transactions
  - Requires selling to customers face to face

U-Pick/Pick-Your-Own/Cut-Your-Own
- Advantages
  - Reduces harvest labor requirements
  - Potential to sell lower quality produce
  - Elimination of most grading, packing and storing
  - No intermediaries
  - Immediate payment
  - Lower equipment costs
  - Larger transactions than farmers markets
- Disadvantages
  - Possible liability
  - Long hours
  - Challenge in getting customers to picking site
  - Matching volumes to number of pickers
  - Dealing with all types of people
  - Inability to sell all the crop at one time
  - Need to supervise customers
  - Need to have either high traffic location or excellent word of mouth
  - Loss of yield, e.g., crop damage due to improper harvesting
On-Farm Retail Market

Advantages
- Customers come to you – no transportation cost
- No standard pack/grade, though presentation important
- No fees

Disadvantages
- Need inviting environment for customers
- Potential for liability risk
- Requires selling to customers face to face
- Location key to success
- Many small transactions


Pricing

Consider
- Cost of production
- Competitor prices
- Product characteristics
- Willingness to pay

Be careful not to under price

Pricing – Examples Prices According to Agritourism Operators

Wholesale prices
- $0.15/lb
- Small - $0.65 each
- Medium - $1.25
- Large - $2.00
- X Large - $3.50

Retail Prices
- $0.30/lb
- Small - $2.00
- Medium - $4.00
- Large - $8
- X Large - $8

Jack Be Littles – 3 for $1
Jack O Lanterns and Old Brown Field Pumpkins - $1-$6

Promotion

Based on target audience
- Signage
- Web Site
- Direct Mail/Email
- Newspaper
- Magazines
- Billboards
- Radio
- Television
- Social Media
- Word of Mouth

Merchandising

- Keep everything clean
- Maintain quality (keep cool, cull, etc.)
- Get products up off the ground if possible
- Create displays of “abundance”
- Incorporate contrasting colors
- Clearly display product name and price
  - Could also include use or product benefits

Merchandising

- “If a person has something in their hand, they are looking but no longer shopping.”
  - Provide bags, baskets, wagons, etc.

- Create attractive displays that could be duplicated by customers
  - Provide list of items utilized
- Provide recipes or project ideas
Additional Considerations

Allowable Units/Weights and Measures
- May be sold by weight or count
- Produce sold by weight must be weighed on scales that are “legal for trade”
- Scales must be inspected and permitted by TDA Weights and Measures Department
- Weight must be figured as net weight (Does not include weight of carton or container)

More information
- Produce Scales Permit Fact Sheet
  [http://cba.utk.edu/c难道/cga106.pdf](http://cba.utk.edu/c难道/cga106.pdf)
- Robert Williams at (615) 837-5109 or robert.g.williams@state.tn.us

Sales Tax Considerations
- A farmer who grows 50% or more of farm/nursery product sold in a calendar year is exempt from collecting sales tax on all sales of farm/nursery products
- A farmer who grows less than 50% of farm/nursery product sold must collect and remit sales tax on the portion of farm/nursery product he/she did not produce
  - UNLESS customers are from a tax exempt organization
    - If billing is made to the name of the organization, the bill is paid directly from the organization and exemption certificate is presented; then no sales tax is collected
  - Also, dealers (example-grocery stores) buying the products for resale may present the farmer with a resale certificate to buy free of tax.
- Use gross sales dollars as units

Sales Tax Example 1
- Farmer John sold $2,000 in pumpkins at the farmers market in a calendar year. $1,200 from pumpkins he produced and $800 from pumpkins he bought from Farmer Sue.
- Should Farmer John have collected and remitted sales tax on any of the pumpkin sales?
  - Yes, Farmer John should collect and remit sales tax on the $1,200 from pumpkins he did not grow.

Sales Tax Example 2
- Farmer John sold $2,000 in pumpkins at the farmers market in a calendar year. $800 from pumpkins he produced and $1,200 from pumpkins he bought from Farmer Sue.
- Should Farmer John have collected and remitted sales tax on any of the pumpkin sales?
  - Yes, Farmer John should collect and remit sales tax on the $1,200 from pumpkins he did not grow.

Sales Tax Example 3
- Farmer Dan offers a hayride to the pumpkin patch and a pumpkin he grew for a package price of $6.
- Should Farmer Dan collect and remit sales tax on the hayride package price?
  - Yes, bundled products that include a taxable product/service are taxable (unless tax-exempt criteria is met).
    - Farmer Dan could charge for each item separately, then he would only need to collect tax on the price of the hayride.
    - Farmer Dan could charge $6 for the pumpkin he grew and give the customer a free hayride to the pumpkin patch and not collect tax.
Sales Tax Procedure
- If sell taxable products, must file no-cost application with Tennessee Department of Revenue for “Certificate of Registration” to be a “Dealer”
- Must submit sales tax returns monthly with payment (whether or not have sales to report)
  - May submit quarterly if average tax payment is $200 or less per month with approval
- Sales and Use Tax Guide

Manage Your Risk
- Product Liability
  - Raw products (fruits, vegetables, etc.) may be covered under farm owner insurance policy
  - Processed products (jam, meat, etc.) would likely need a commercial liability policy
  - Normal limits of coverage are $100k, $300k, $500k and $1 million
  - Umbrella policy can provide excess/additional coverage in $1,000,000 increments
  - One insurance provider recommended at least enough to cover the value of your assets
  - Coverage varies from company to company. Please discuss your particular situation with your insurance agent to verify your coverage.

Manage Your Risk
- Landowners Liability
  - When people come to farm to purchase products or participate in agritourism activities, farm owner policy likely does not cover
  - Visit with your insurance agent to see if you need a special landowner liability policy
- New Agritourism Liability Law
  - Limits liability for injury or death resulting from inherent risks of agritourism
  - Warning must be given in contracts and with signage
  - Publication available soon

Additional Resources

Marketing Resources
- AgMRC
  - http://test.agmrc.org/agmrc/commodity/vegetables/pumpkins/
- Agritourism in Focus Publication
  - http://cpa.utk.edu
- Tennessee Farm Fresh
  - www.tnfarminster.com
  - Promotes farms that direct market products to consumers
- Pick Tennessee Products
  - www.picktnproducts.org
  - Promotes Tennessee produced food products, farmers markets, etc.