Producers and Market Access

This fact sheet is intended to provide some understanding of food business operation to the producer and to familiarize readers with terms that are often used to describe food businesses and the markets in which food flows.

The current food model

The modern American (and global) food-supply chain system is highly specialized with separate actors focusing on different parts of the system. In the highly specialized food supply chain, the producer usually focuses only on growing/producing the product. However, there is increasing interest in direct markets from farm to consumer, especially at the local level. In this smaller, direct market, the producer can become all actors in the system.

Current food supply chain model
The direct market system

A producer is generally thought of as a farm operator. A producer for purposes of farm program benefits as an owner-operator, landlord, tenant or sharecropper who shares in the risk of producing a crop and is entitled to a share of the crop produced on the farm. Under this definition, a landlord receiving cash rent is not considered a producer and is not eligible to receive subsidy program payments. However, a landlord receiving crop share as rent is a producer.¹

There are varying markets depending on the type of product the producer is producing. Depending on the product, the product may be harder to promote directly from the producer to the consumer. Food supply-chain markets usually entail a buyer for specific products who will then sell the product to a processor or distributor. Direct markets are farmers’ markets, local business sales, community-supported agricultural businesses (CSAs), at-farm sales, sales to local program cafeterias such as schools and elder programs, and internet business sales, to name some of the most popular. A primary characteristic of direct markets is a developed trust between the producer and consumer over high-quality, safe food products.

**Forces driving direct markets**

There are many considerations that are increasing the popularity of direct markets. Some of these considerations are increased interest in local food products, need for fresh produce, need for increased profits for farmers and decreased payments to other parts of the agri-business model. A major factor is the growing distrust in the agri-business model. In Indian Country, the lack of infrastructure such as processing facilities, transportation vehicles/companies and marketers, make the direct market an attractive prospect for local farmers. Many American Indian farmers are also intrinsically linked with the community and may provide some of the only traditional or cultural products for a given community. In that case, there is a specialized market for the products.

¹ Public Law. 101-171, Sec. 1001 (2005)

[www.firstnations.org](http://www.firstnations.org)
Regulations

There are various regulations that apply to direct farm marketing sales depending on the type of direct market. Most of the regulations can viewed at the U.S. Department of Agriculture’s Agricultural Marketing Service website:

Information for direct market producers

All information provided by producers to consumers should be accurate and up-to-date. Information can be construed as a guarantee of the product, but at the very least, provides some essential information about the product itself. There are essential pieces of information that all farm direct marketers should develop and use to help promote their businesses. They are:

- Business cards
- Price lists
- Product information sheets that list the varieties grown and provide some basic information about how the products are grown, quantities and quality
- Preparation tips and/or recipes
- Website

Roadside stands

The roadside stand is usually located on or near the farm and sells farm fresh products directly to consumers. It is seasonal in nature, operating only when produce is available.

Challenges include

- farm stores have higher operating costs, including facility costs
- possible zoning and planning restrictions
- parking limitations

Community-Supported Agriculture (CSA)

Community-supported agriculture consists of a partnership between consumers and producers in which consumers contract or buy shares in farm products in advance and producers commit to supply a range of products over the entire season. Often, consumers have the option to participate in planting, cultivation and harvest. The arrangement can be initiated by the producer or by a group of consumers.

CSA offers several opportunities

- the risk of crop failure is shared between consumers and producer
- a guaranteed market as crop is pre-sold before growing season starts
- working capital is created at planting time
- prices are close to retail if the producer makes deliveries to a central drop-off point or the consumers’ homes
- reduced labor costs if consumers help with planting, harvesting and delivery
- crop waste is reduced through market driven production

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2 http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/agdex3482

www.firstnations.org
Challenges include

- increased management requirements due to yield calculations, coordination of deliveries, and detailed production and marketing records
- increased time necessary to identify and develop customer base
- more time spent educating and communicating with consumers

Farmers’ markets offer several opportunities

- minimal marketing, packaging, advertising and promotion costs
- prices are higher than wholesale
- an established market base
- an inexpensive channel to test market new products

Challenges include

- the need to transport products to market
- limited consumer volume per site and a potential need for additional market outlets
- variable customer base due to weather conditions
- food safety concerns in delivering perishable products at the right temperature and in food-safe containers
- having to follow market rules and regulations including table rental requirements, market hours, space and product limitations.

Resources

- U.S. Department of Agriculture - Agricultural Marketing Service -

- Drake University Direct Marketing Farmers’ Market Checklist -

- Start 2 Farm - [http://www.start2farm.gov](http://www.start2farm.gov)

- The Food Shed Guide - [http://www.foodshedguide.org](http://www.foodshedguide.org)