



Do Real Farmers Sell Direct?

Larry Lev

If “real men don’t eat quiche,” do “real farmers” sell direct? Despite impressive growth in farm-direct marketing (especially farmers’ markets) over the last decade, many farmers dismiss this resurgence as a quaint practice of backyard gardeners. This case study portrays one farmer’s path to the development of an innovative and profitable farm-direct marketing business.

Sitting in his farm’s trailer office on the fringe of Portland, Oregon, Larry Thompson describes his business as “figuring out what our customers want and providing it to them.” This simply stated objective has resulted in a remarkably complex farm operation based entirely on direct sales.

Thompson Farms produces 32 crops and sells to consumers in a variety of ways at diverse locations. Thompson’s 100-acre farm provides an excellent example of a full-time farmer who has developed a thriving business through direct-market sales. The USDA National Small Farms Commission defines small farms as those with gross receipts below \$250,000. Thompson easily surpasses that level and thus demonstrates that direct-marketing approaches need not be restricted to small farms. His production approach has greatly lengthened the growing season and permitted him to provide his 15 remarkably loyal employees with nine or ten months of work per year. Thompson believes that effective labor management (both on the farm and in the marketplace) is one of his greatest assets. While his location, personality, and skills have been crucial to his success, much of what Thompson has done can be copied by others.

A Bit of History

Thompson admits economic necessity drove him to direct marketing. Selling to wholesalers and processors simply was not profitable enough to stay in business. In contrast, selling direct has allowed him to set his own prices (which he could never do selling wholesale), thereby both increasing and stabilizing his income. By preserving the identity of his products and developing a loyal customer base, he has greatly reduced his risks. Direct marketing also fits Thompson’s personality and the role he believes agriculture should play in society.

While the farm has been in the family for 50 years, it was a part-time operation until the mid-1980s when Thompson quit his job as a pharmaceutical representative to devote all of his time and energy to it. I first met Thompson in 1989, as part of a university group visiting his operation. The farm profile we wrote then described an 85-acre farm growing four crops (broccoli, strawberries, raspberries, and boysenberries) and splitting sales between direct-market outlets (U-pick and farm stand) and wholesale. The conclusion of that profile stated he was "...a clever marketer, but not as up-to-date on his production program as he could be."

Thinking about how Thompson should have responded to that profile leads to the classic management question: is it best to correct weaknesses or focus on strengths? Thompson's path over the last decade shows a clear choice to concentrate on strengths. He has further diversified



and expanded his marketing program, and hired a marketing and labor manager and additional marketing employees. However, his production workforce is largely unchanged and he has never hired a production manager. He realizes how valuable one would be, but doesn't feel he can afford it.

Marketing as a Creative Process

Marketing is a primary driver of most successful businesses. As normal as that may seem outside of agriculture, it remains the exception rather

than the norm for farmers. Over the last decade, Thompson Farms has gone from producing 4 crops to producing 32. "I know you didn't think my production program was as good as it could have been in 1989. I can only imagine what you would say now," Thompson commented. This diversification has reduced production efficiency, but it has been an acceptable cost. The benefit has been that the farm's vendor booths, farm stand, and U-pick operations have become far more attractive to customers. More customers buy from Thompson and average sales per customer have increased.

Identifying New Marketing Outlets

Interested in reducing his dependence on wholesale markets, Thompson came up with a remarkably simple, yet innovative, idea in the late 1980s. He had been a wholesale supplier to Portland-area Safeway stores and obtained their permission to set up and staff his own stands *outside* seven Safeway locations. While sales were never huge at the stands, he earned the full retail price on everything sold. The stores, in turn, profited from having an attraction that set them apart from their competitors.

While Thompson loved his Safeway stands, he knew from the start that the relationship would not last forever. At some point, the store managers would want to bring his produce back inside, under their control. Thus, from the beginning, he used his Safeway stands to expand his farm's name recognition and promote his on-farm and U-pick businesses. As a result, those sales outlets grew.

As his Safeway relationship ended, Thompson began investigating the growing popularity of farmers' markets. He started selling in one and over time expanded to eight farmers' markets in the Portland area. A great advantage of his urban fringe location is that the furthest market is only 20 miles from the farm.

Selling in farmers' markets can be a difficult experience for many established farmers. Farmers must not only deal directly with customers, but they also have to interact with other vendors and market managers. This is not a problem for an extrovert like Thompson who enjoys interacting with people and serves on the boards of three farmers' markets. Such broad involvement can also lead to opportunity, as it did in 1997, when the neighboring town of Sandy started a farmers' market on a vacant downtown lot and recruited Larry as a vendor. After a year, the lot's owner sought to raise the rent beyond what the market could afford. Thompson stepped in and negotiated an agreement that worked for both him and the market. He rented the lot himself, using it during the week for his own farm stand and allowed the farmers' market to use the space on Saturday. This outlet has proven so valuable that he would like to construct a permanent market for himself on the site.



Staying True to His Vision

While Thompson is always looking for new opportunities, they have to fit his vision of the farm. His approach to Halloween is a good example. He does a brisk pumpkin business and brings in many school tour groups, but he doesn't get into entertainment. "When kids come to my farm, they learn something about sustainable agriculture. They understand what we are doing. But they won't see Snow White or a haunted house. That isn't what this farm is about," he says.

Key Success Factors

Thompson credits his success in farmers' markets (and other direct-marketing outlets) to the following key factors:

- He makes sure he hires personable, outgoing people who know how to interact with the public and how to sell his whole approach to farming. All of his market employees (mostly teenagers, but also a retired couple) fill out market reports that note customer comments so the farm can better meet customer needs. One result of these customer interactions is the 32 crops he now grows. As Thompson notes, "Whenever I introduce a crop, it has a ready-made clientele."
- He provides only high-quality products. "I may not have the most exotic stuff, but my quality is the best," he says. This includes tree fruits purchased from a farm

“Our business is figuring out what our customers want and providing it to them.”

“Different marketing outlets complement each other rather than compete.”

several hundred miles away and resold in Portland markets at a healthy profit. (Many farmers' markets permit a certain percentage of resale).

- Thompson has a full-time driver constantly shuttle between the farm and each farmers' market on Saturdays to restock his booths. This unique practice provides three benefits: fast-selling items can be replenished so sales aren't lost; small fruits (one of his strengths) can be stocked with just-picked products; and simply carting in fresh produce during a market draws customers. “This holds true whether the product is just out of the field or out of my storage shed,” he notes.
- To maximize sales, Thompson tailors his marketing approach to each market. In the hip urban market, he plays up the environmental aspects. A few years ago, Thompson obtained certification from The Food Alliance (TFA), a Portland-based environmental label. The TFA label *“...promotes sustainable agriculture by recognizing and rewarding farmers who produce food in environmentally and socially responsible ways, and [by] educating consumers and others in the food system about the benefits of sustainable agriculture.”* (<http://www.thefoodalliance.org/>)
- Thompson takes full advantage of farmers' markets to promote his U-pick and farm stand businesses through signs and handouts (flyers, recipes, coupons, etc.). In his experience, the different marketing outlets complement each other rather than compete. Farmers' markets now represent 40 percent of his total sales, as does his farm stand, while the remaining 20 percent comes from U-pick.
- Thompson doesn't compete based on price in any of his marketing outlets. That is, he doesn't try to maximize sales by pricing below the competition. He prices his product to earn a profit, arguing that even his U-pick customers are not particularly price conscious. They seek quality products and a farm experience, and are willing to pay a “fair” price.

The Future

While Thompson Farms is successful, Larry has not been lulled into counting on stability. As he looks to the future, he does not fear increased competition from other full-time growers who might follow his example of selling directly to local consumers. “There is plenty of room for all of us,” he says.

However, competitors with very different situations do concern Thompson. He fears part-time farmers with little concern for price will woo away some of his customers. He realizes smaller-scale, weekend gardeners could eventually dominate farmers' markets. He also sees his farm stand business threatened by part-time farmers who sell at very low prices, and by pseudo-farms that look like farms but actually purchase their entire product line.

In response to both threats, Thompson is investing more in his farm stand and investigating other marketing options such as Community Supported Agriculture (CSA). He has the diversity needed to run a CSA program, but questions if Portland-area customers would support a “green” but non-organic CSA (all current Portland CSAs are certified organic). In the future, the farm

will continue to focus on customer needs, providing quality products, and remaining loyal to Larry's vision of agriculture.

Guiding Principles

Looking back over this case study, Thompson's guiding principles stand out:

- *Place marketing ahead of everything else*—Thompson chooses what to produce and how to produce based on what his customers demand. Because of his loyal customer base, Thompson retains considerable control over his prices.
- *Be creative*—the Safeway and Sandy stories show a person constantly on the lookout for new markets.
- *Accept change*—Thompson recognizes that no solution will last forever and constantly searches for new opportunities.
- *Get the details right*—Thompson's business is very professional in every aspect.
- *Stay true to your vision*—Thompson has a strong sense of what will and won't work for his business.

Contact Information

Larry Thompson
Thompson Farms
Boring, OR

tfarms@gte.net

Larry Lev
Department of Agricultural and Resource
Economics
Ballard Hall, Room 213
Oregon State University
Corvallis, OR 97331-3601

541.737.1417
larry.s.lev@orst.edu