

Direct Marketing for Goat and Sheep Producers

by Rob Holland and Megan Bruch

Introduction

Direct marketing farm products to consumers is a growing part of the agricultural economy. According to the Census for Agriculture, sales from farms directly marketing products to consumers for human consumption in Tennessee increased from \$8.4 million in 1997 to \$15.3 million in 2007. Total sales from direct farm marketing are likely much higher than reported due to direct sales of non-food farm products such as Christmas trees and ornamentals.

More specific to livestock and meat products, “locally sourced meats” was among the leading trends cited in a national survey of restaurant operators for 2013. The interest in direct marketing meat is also on the rise in Tennessee. From December 2011 to December 2013, there was a 59 percent increase in the number of farm-based retail meat permits issued by the Tennessee Department of Agriculture. The “farm-based retail meat permit” allows a livestock producer to directly market the meat from the animals they raise that were harvested and processed in a federally inspected facility to household consumers.

A variety of factors have contributed to the increases in direct farm sales. These factors include more consumer interest in purchasing locally grown products, more producers meeting this market demand, and diversification of direct market channels for marketing farm products. Consumers perceive local products to be high quality, fresh and authentic. They value the story behind the farm and the product, as well as experiences related to purchasing and using the products. They often value the opportunity to support the local economy.

While consumer interest in buying products directly from local farmers is strong, there are challenges for farmers interested in accessing this market. It is important for farmers considering selling products direct to the public to

understand some of the basic concepts of direct marketing, including regulatory requirements.

Direct Marketing

Direct marketing refers to the sale of products directly from producers to consumers. Examples of possible direct marketing channels for goat and sheep products include farmers markets, on-farm retail markets, roadside stands, and Internet sales. Although not technically direct markets, wholesale marketing of products to restaurants, grocery stores or institutions is often included in discussions of direct farm marketing.

Agricultural producers often have difficulty choosing a direct marketing channel from among the alternatives, determining whether a specific channel has potential for success for their operation or deciding whether or not to add an additional channel to their marketing mix. All producers have different skills and resources. Some producers are better suited to certain market channels than others. A less-than-ideal market match is not guaranteed to fail — but extra work may be needed to overcome obstacles to make the market channel successful.

Direct Marketing Meat and Live Animals for Custom Harvest

In Tennessee, sheep or goat producers can sell meat from their animals direct to consumers if they have a farm-based retail meat permit from the Tennessee Department of Agriculture. To obtain a permit, animals must be harvested and the meat must be processed and packaged under federal inspection. The meat must be properly labeled, and the producer’s method of transporting and storing the meat will be inspected. There is also a \$50 annual fee for the permit, which only allows for sales direct to the end consumer; it does not cover wholesale sales. Producers interested in marketing meat wholesale to restaurants, grocery stores or institutions must register with the U.S. Department of Agriculture as a meat handler.

While some sheep and goat producers may be interested in selling meat products, others may be interested in selling a live animal to local consumers who may have it harvested and processed to their specifications at a custom-exempt processing facility. Custom-exempt processing is not conducted under USDA inspection and can only be done for the owner of the animal. The meat harvested and processed in a custom-exempt facility cannot be sold and is labeled “not for sale.” The meat produced is for the owner’s exclusive use and for that of their nonpaying family, guests and employees. Farmers offering live animals for sale to consumers for custom-exempt processing must clearly communicate and document the sale of the live animals in order to prevent any appearance that they may be selling meat.

The following suggestions may help sheep and goat producers marketing live animals for custom-exempt harvest:

- 1) Avoid using terminology associated with meat in promotion of the animal and in communication with customers. In all communications, be clear that a live animal is being sold.
- 2) Set the price for the sale based on the value of the live animal either as a price per head or per pound of live weight.
- 3) Provide and retain a detailed bill of sale for the transaction including a visual representation, such as a photo, of the animal being sold.
- 4) Document the transfer of funds for the purchase of the live animal between the customers and the farmer.
- 5) The customers should pay the processing facility and communicate with the facility staff directly regarding the details of harvesting, processing and packaging.
- 6) Transportation or delivery of the live animal to the custom-exempt processing facility and meat from the facility to the customers should be handled carefully. It is common

Regulations for direct marketing are different in each state. To find the rules and regulations that apply to you, contact your state's Department of Agriculture.

Visit <http://www.rma.usda.gov/other/stateag.html> to locate your office.

practice that buyers of the live animals will arrange to have the farmer deliver the animal to the processor. Details of the delivery of the live animal should be well communicated and documented between the buyer and the seller. When live animals are delivered to the custom-exempt processor, the name or names of the new owner or owners should be recorded by the processor. That is, if the farmer delivers the animal to the processor, the farmer should make sure that the animal is recorded in the name of the buyer(s) and not the farmer, who no longer owns but is only transporting and delivering the animal.

While there is no single required format for a bill of sale, there are several pieces of information that should be included and some additional pieces of information that would be very helpful to document the terms and conditions of the live animal sale. The bill of sale should identify the:

- Date of transaction
- Buyer and seller names and addresses
- Description of livestock
- Dollar value received by seller/paid by buyer
- Payment method (check number, cash, etc.)
- Delivery services agreed upon
- Buyer and seller signatures

Advantages and Disadvantages of Direct Marketing at Farmers Markets and On-Farm

Sheep and goat producers interested in direct marketing at farmers markets or from an on-farm market might benefit

from a bit more information about the advantages and disadvantages of some common direct marketing channels.

Farmers Markets

A farmers market is a common facility or area where several farmers or growers gather on a regular, recurring basis to sell a variety of farm products from independent stands directly to consumers. Between 2006 and 2009, the number of farmers markets in the United States increased from 4,385 to 5,274 (a 20 percent increase). During the same period, the number of farmers markets in Tennessee increased 56 percent, from 55 in 2006 to 86 in 2009. Today, there may be as many as 130 farmers markets in the state. In the past, farmers markets may have been thought of as marketing channels primarily for fresh fruits and vegetables. Today, many farmers markets also feature a variety of vendors offering local meat products for sale.

Farmers markets have several advantages, including no requirements for sales volume, no standard pack or grade, and access to market information. Farmers markets can also create opportunities for farmers to springboard into other market channels. Advertising and promotion of the farmers market may benefit all participants. Farmers markets also have some disadvantages, including face-to-face selling, small transactions, relatively high marketing costs, potentially grueling market schedules and limited space for vendors.

On-Farm Retail

On-farm retail describes the various ways in which producers sell their products directly to consumers at the farm. On-farm

retail markets may range from simple operations, such as selling pumpkins and bales of straw for fall decorations at a farm stand, to more complex operations, such as an orchard with a retail store.

Advantages to on-farm retail include no transportation costs for marketing, no standard pack or grade requirements, a unique buying experience for the customer and instant credibility for locally grown products. Disadvantages to on-farm retail markets include selling face-to-face, enticing customers to visit the farm, location challenges, liability, small transactions and the potential to be capital intensive.

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Producers interested in learning more about direct marketing local products to consumers may find resources and assistance available from the Center for Profitable Agriculture. The center is a partnership between UT Extension and the Tennessee Farm Bureau committed to helping farmers develop value-added agricultural enterprises. Find out more at <https://ag.tennessee.edu/cpa>.

OTHER LINKS OF INTEREST INCLUDE

United States Department of Agriculture Marketing and Regulatory Programs

http://www.usda.gov/wps/portal/usda/usdahome?contentidonly=true&contentid=missionarea_MRP.xml

United States Department of Agriculture Farmers Market and Local Food Marketing

<http://www.ams.usda.gov/AMSV1.0/ams.fetchTemplateData.do?template=TemplateA&navID=WholesaleandFarmersMarkets&leftNav=WholesaleandFarmersMarkets&page=WholesaleAndFarmersMarkets&acct=AMSPW>

United States Department of Agriculture Alternative Marketing and Business Practices- Direct Marketing

<http://afsic.nal.usda.gov/alternative-marketing-and-business-practices/direct-marketing>

On-farm Enterprises and Value-added Products

<http://afsic.nal.usda.gov/alternative-marketing-and-business-practices/farm-enterprises-and-value-added-products>