

PATHWAYS TO \$100K IN FARM SALES: A STARTING POINT FOR REACHING FARM STABILITY

BEGINNING FARMER AND RANCHER
DEVELOPMENT PROGRAM GUIDE SERIES

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About This Publication Series

This document is one of six resources in the Toolbox for Vegetable Farm Business Viability. The toolbox helps smaller scale vegetable farmers begin and progress along the path to business viability by assisting with planning, expenditures, and marketing. Toolbox resources are grouped into three categories:

- 1) Strategies for how to reach \$100,000 in sales: *Pathways to \$100K in Farm Sales* and *Pathways to \$100K Calculator*
- 2) Guidance on selecting a market that fits your farm: *Market Channel Selection Tool*
- 3) Suggestions for equipment and infrastructure investments for different scales (sizes) of farms: *Scale of Production Matrix* (information in table form and as a changeable Excel document), *Scale of Production Narrative* (a companion to the matrix with more details about different scales), *Scale of Production Optimization Tool* (generates suggestions based on your acreage, sales, etc.)

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➤ INTRODUCTION

The purpose of this document is to present different marketing strategies a farm might use to reach \$100,000 in sales for the purpose of creating a stable farm income. The following strategies are suggested:

- 1 Direct Customer Markets: CSA & farmers markets
- 2 Smaller Wholesale: Retail, restaurant or institution, food hubs, and new cooperative models
- 3 Larger Wholesale: Distributors & processors
- 4 Mixed Marketing Approaches: Using a mix of these market channels

We have also included the following:

- 5 Sample Prices: Compares lettuce prices, sales costs, and income from various market channels

DISCLAIMERS

- While we suggest a target of \$100,000 in sales as a critical point to begin stabilizing a farm business, it is a talking point. Some farms may need more or less income to reach that stability.
- The numbers and estimates used here are only presented as a guide and a beginning for exploration. Because of the variability of farms, markets, pricing, product quality, and many other factors, the numbers presented here may not accurately reflect your farm's or market's situation.


➤ WHY \$100,000 IN FARM SALES?


Succeeding as a farm relies heavily on generating enough income for a full- or part-time farmer to manage the business. We propose that at \$100,000 or more in annual sales, as much as \$30,000 could

be available for a farmer's salary, depending on all of the farm's other expenses. Consider Table 1, indicating different salaries possible at various Gross Sales¹ and Adjusted Gross Margins.²

Table 1. Farm Owner/Manager Salary Available at Different Sales and Adjusted Gross Margins²

GROSS SALES	15% ADJUSTED GROSS MARGIN ²	20% ADJUSTED GROSS MARGIN ²	25% ADJUSTED GROSS MARGIN ²	30% ADJUSTED GROSS MARGIN ²	35% ADJUSTED GROSS MARGIN ²	40% ADJUSTED GROSS MARGIN ²
\$50,000	\$7,500	\$10,000	\$12,500	\$15,000	\$17,500	\$20,000
\$75,000	\$11,250	\$15,000	\$18,750	\$22,500	\$26,250	\$30,000
\$87,500	\$13,125	\$17,500	\$21,875	\$26,250	\$30,625	\$35,000
\$100,000	\$15,000	\$20,000	\$25,000	\$30,000	\$35,000	\$40,000
\$125,000	\$18,750	\$25,000	\$31,250	\$37,500	\$43,750	\$50,000
\$150,000	\$22,500	\$30,000	\$37,500	\$45,000	\$52,500	\$60,000
\$175,000	\$26,250	\$35,000	\$43,750	\$52,500	\$61,250	\$70,000
\$200,000	\$30,000	\$40,000	\$50,000	\$60,000	\$70,000	\$80,000

 = FARM PROFIT FOR 1 FULL-TIME MANAGER (OWNER)

 = FARM PROFIT FOR SECOND FULL-TIME MANAGER

¹ Gross Sales = All income to the farm operation

² Adjusted Gross Margin (for this exercise) = Gross sales minus all operational costs, all non-owner salaries for production & sales, debt payments, interest payments, taxes, etc., leaving only money available to pay the owner or to be reinvested in the business

➤ DIRECT CUSTOMER MARKETS

Generating \$100,000 in Sales Through Direct-to-Customer Markets: CSA & Farmers Markets

Community Supported Agriculture (CSA), also called a farm share program, allows farms to “pre-sell” part or all their production for the season. This involves selling shares (a commitment of produce) to members (customers) prior to their receiving produce. The distribution of the produce, often weekly or biweekly, may be with a pre-packed box or it may be market style, where people pick out the produce they want, following a posted list. CSA is an

attractive option for beginning farms because it is a source of early-season operating capital. However, novice farmers should be cautioned against CSA as more than 50% of their income—more than one beginning farmer has sold more shares than their skill has allowed them to deliver on. Rather, consider smaller shares (half shares), or offering shorter, 8-10-week CSA sessions. With experience, move to longer and even year-round CSA sessions.

Table 2a. \$100,000 in Sales Through Community Supported Agriculture (CSA)

MARKETING GOALS		DESCRIPTION
SUMMER CSA -18-22 WEEKS	90 full (weekly) shares (veggies for a family of 4) at \$550 and 165 half shares (half the produce each week) at \$300 <i>[higher or lower share prices will affect number of shares needed]</i>	Summer-season CSA programs typically last 18-22 weeks (June–October). While a farm may be able to reach 80-100 shares quickly, this depends on the size of the community, competition from other CSA farms, and the local culture. Often, it may take a number of years and a lot of marketing and education to get to this level of CSA membership. A marketing route that can also help with sales is a farmers market stall. Over a few years at a market, a farmer can introduce their farm and the CSA concept to hundreds if not thousands of people.
YEAR-ROUND CSA -48 WEEKS	-65 year-round full shares (-48 weeks) at \$1,600 (or three 16-week sessions at \$533)	Many farms are now offering a year-round CSA model (~48 weeks). This approach differentiates the farm from other CSAs and can significantly increase member retention. However, the target market is smaller and the infrastructure requirements for storage and season extension are greater than for the summer CSA model. Often, rather than requiring one large yearly payment, year-round CSAs offer payments in three or more installments (e.g., a payment for each 16-week session) throughout the year.

Table 2b. \$100,000 in Sales Through Farmers Markets

MARKETING GOALS		DESCRIPTION
FARMERS MARKETS	5 markets if they averaged \$20,000 in annual sales (averaging \$1,000 per week for 20 weeks). These would be considered GOOD to VERY GOOD markets	Farmers markets are a very good starting point for beginning farmers. They offer a chance to get your name and produce in front of a broad range of customers and allow you to potentially sell a large amount of produce at a minimal cost and investment, without the financial expectations of a CSA. You cannot know what kind of sales you are going to have at a market from the outset. A big market with a lot of competition may yield \$15,000 in sales for a season, and a smaller market where your product mix is unique may yield \$25,000–\$30,000 in sales. You might start with low sales but take off after a few years, or stay at \$400–\$500 per day (-\$10,000/season) no matter what you do and should probably drop that market. ³ However, a few very good markets or a mix that includes some very good and exceptional markets can be profitable. Doing some research before selecting a market can help a lot. ⁴
	3-4 markets in the \$25,000–\$30,000 range (averaging -\$1,250–\$1,500 per week for 20 weeks). These would be considered EXCEPTIONAL markets	
	A mix of 3–5 markets ranging from \$10,000 to \$30,000+ is typical to reach sales of \$100,000 or more	

³ When new at a market, or farming, \$10,000 in sales is expected but should improve or you should drop the market. Unless the market has little or no travel time and you are running a very efficient operation as regards labor and product loss, it is often hard to make a profit at an average of \$500 in sales per day. **(Example: One person working one stall driving 50 miles round trip to the market = -\$100 in labor & taxes etc., \$25 stall fee, \$25 in wear & tear on vehicle and \$100 in produce loss = \$250 + labor to harvest, wash, & pack the produce = -\$150 in labor (1 1/2 people) = \$400 in costs for \$500 in sales.)** Offering a CSA pickup at the market and/or a few wholesale deliveries en route could make the market a good investment.

⁴ Research: Find out what markets are in your area, visit them, talk to the market manager, talk to other vendors, talk to customers—ask questions about sales, traffic, is a vendor retiring, etc. Get a sense of the product mix and the investment in marketing and outreach the market is making, the community, and whether you might be able to fill a niche or even become a market anchor. Also, find out the chances of getting a stall, what it will cost, and if you can depend on having a space in the peak of the season when everyone has the widest variety of produce.

➤ SMALLER WHOLESALE

By *wholesale* we mean (1) that you are not selling directly to the final consumer (like your CSA members) but to someone who is going to prepare, resell, or process your product before it gets to the final consumer (a person) *and* (2) that larger quantities of any particular item (cases or flats instead of individual tomatoes) are being purchased. A food safety plan and/or certification (e.g., GAP) may be encouraged if not required by some of these buyers. The price point for sales to retailers (grocery and

specialty foods stores) and restaurants, while usually smaller quantities, is usually the best, followed by wholesale prices to institutions (schools, hospitals, etc.). Food hubs can vary greatly in price and quantity. New options are also emerging around cooperative sales through farmers-market-style managed retail venues such as Argus Farm Stop (Ann Arbor, MI) and Local Roots (Wooster, OH).

Table 3. Wholesaling \$100,000 to Smaller Wholesale Accounts: Retail, Restaurants, Institutions, Smaller Food Hubs, & Co-Ops

DIVERSE PRODUCT MIX (20+ CROP TYPES)	
SMALL ACCOUNTS	10-15 accounts that range \$7,000-\$10,000 per year (averaging ~\$3,000+ per week for April/May-December). A lot of work per account. Profitability depends on prices & efficiency (e.g., single drop option like a food hub).
LARGER ACCOUNTS	3-4 accounts purchasing \$25,000-\$30,000 per year with \$10,000+ in sales per week during the peak season (e.g., a larger regional grocery chain). Investing in season extension may allow for increased sales in the off season and a more sustained relationship with the buyer.
NARROW PRODUCT MIX (3-5 CROP TYPES)	
LETTUCE	-\$25,000 in lettuce sales May-Oct. @ \$2/head = 425 head/-18 cases on average per week; requires ~3/4 acre in lettuce ⁵
KALE	-\$25,000 in kale sales June-Nov. @ \$1.50/bunch would require selling 550 bunches/23 cases per week on average; requires ~1 3/4 acres in kale ⁵
TOMATOES	-\$25,000 in tomato sales Aug.-Sept. @ \$2/lb. would require selling 1,200-1,500 lbs. per week for 8-10 weeks, with the bulk coming during a 4-week period. This is made easier with some season extension; it may be possible to average more like \$3/lb. over 14 weeks, reducing sales volume to 600 lbs. per week average. Requires ~1/4 acre in tomatoes. ⁵
POTATOES	-\$25,000 in potato sales Aug.-March @ \$1.50/lb. would require selling 500 lbs. of potatoes per week over 8 months; requires ~1 acre in potatoes ⁵

⁵ See more detail on these crops under "Production Requirements" in the "Larger Wholesale" section.

➤ LARGER WHOLESALE

Wholesaling \$100,000 to Larger Accounts: Distributors & Processors

Distributors are “wholesale buyers who specialize in inventory and delivery logistics”⁶ who sell their products mainly to restaurants, retailers, and institutional accounts. Distributors will purchase a much higher volume, larger quantities of fewer products, and usually at a lower price than most

other market channels, aside from processors. Distributors have very narrow tolerances on quality, packing specifics, and scheduling, making them a less ideal choice for the beginning farmer. While most require delivery of product to their site, some distributors will pick up at the farm.

Table 4a. Wholesaling \$100,000 to Distributors

PRODUCT	QUANTITY & BOX SIZE	PRICE/VALUE	PRODUCTION REQUIREMENTS	MAJOR CHALLENGES
TOMATOES	-36,500 lbs. of tomatoes: 3,640 10 lb. boxes of heirloom tomatoes	\$25–30/box (\$2.75/lb. avg.) ⁷	-1 acre of tomatoes (4,500–5,500 plants) depending on spacing and choice of varieties (-5,300 plants if 20" in spacing on 5' rows).	Managing (trellising/stringing) plants and the intense harvest schedule when tomatoes produce (800+ boxes per harvest day)
POTATOES	100,000 lbs. of organic potatoes: 2,000 50 lb. bulb crates of potatoes (a volume 8' x 8' x 60')	\$-1/lb. ⁸	In Michigan, this would require 3-4 acres at about 30,000 lbs./acre ¹⁰	Harvesting capacity, equipment, and storage space
KALE	4,000 cases of kale @ 24 bunches/case (organic)	\$20–30 (\$25 avg.)/case ⁹	Need 2–3 plantings to ensure 5 months of strong production. Typically, organic producers are getting 600 cases per acre of kale per season, requiring about 7 acres of kale to get to the \$100,000 sales amount.	Supporting this cool-weather crop during the hottest months of summer; disease & pest pressure
BROCCOLI	4,500 cases, 14 crowns per case of organic broccoli @ 225 cases per week	\$22.50/case wholesale ⁸	Jun.–Oct. (-20 weeks) production = 225 cases/week (avg.) At 80% marketable = 26 two-row 100' long beds at 16" in-row spacing to raise enough broccoli to meet this demand (-0.4 ac./week). Would need -4 ac. to enable room for enough rotations for 20 weeks and crops in the field up to 70 days if needed.	Need to harvest about 630 heads of broccoli a day on average
LETTUCE	3,125 cases, 24 head per case @ -155 cases per week. Need to harvest about 750 head of lettuce per day on average.	\$32/case for organic leaf or romaine ⁸	May–Sept. (-20 weeks) production = -155 cases/week (avg.) At 80% marketable product = -16 three-row 100' beds/week at 12" spacing (-1/4 ac.). Would need about 2.5–3 ac. to enable room for enough rotations for 20 weeks and crops in the field for up to 70 days if needed.	Supporting this cool-weather crop during the hottest months of summer; disease & pest pressure; harvesting, cooling, packing capacity in peak supply/demand times

⁶ Guide to Marketing Channel Selection. (2010). LeRoux, Matthew, Cornell Cooperative Extension

Wholesaling \$100,000 to a Processor

Selling directly to some processors may be an option with the growth of value-added products at the local and state level. Often, sales to larger wholesalers may take place through a distributor.

Table 4b. Wholesaling \$100,000 to a Processor

PRODUCT	QUANTITY & BOX SIZE	PRICE/VALUE	PRODUCTION REQUIREMENTS
CABBAGE, SMALL PROCESSOR	2,200 cases of organic cabbage (40-50 lb. case) smaller minimum order	\$40-\$50 ¹⁰	Spring cabbage ¹⁴ (2-3 lb. heads) = -20 head/case = -55,000 plants @ 80% marketable product = 5 1/2 acres (Variety: Early Jersey Wakefield)
			Summer cabbage ¹⁵ (4-8 lb. heads) = -8 head/case = -22,000 plants @ 80% marketable product = -2 1/2 acres (Variety: Early Summer)
			Fall cabbage ¹⁶ (10+ lb. heads) = 5 head/case = -14,000 plants @ 80% marketable product = -2 1/4 acres (Variety: Dutch Flat)
CABBAGE, LARGE PROCESSOR	2,700 cases of cabbage (50 lb. case) 900 lb. (-20 cases) minimum order	\$32.50-\$42.50, Michigan processor ¹¹	Spring cabbage ¹⁴ (2-3 lb. heads) = -20 head/case = -68,000 plants @ 80% marketable product = -7 acres (Variety: Early Jersey Wakefield)
			Summer cabbage ¹⁵ (4-8 lb. heads) = -8 head/case = -27,000 plants @ 80% marketable product = -3 1/4 acres (Variety: Early Summer)
			Fall cabbage ¹⁶ (10+ lb. heads) = 5 head/case = -17,000 plants @ 80% marketable product = -2 2/3 acres (Variety: Dutch Flat)

7 Tomato Fax Report, USDA, Sept. 2016

8 Rodale Organic Price Report, 2016

9 Lee Arboreal, Live Edge, 2016, 2017

10 Crop Profile for Potatoes in Michigan, MSU/E, 2000; <http://ipmcenters.org/cropprofiles/docs/MIPotato.pdf>

11 A Michigan farmer, 2016, 2017, desired to remain anonymous

12 MSU Student Organic Farm, 2015-2016

13 Estimates of cabbage head weight and per-acre harvestable amounts for varieties came in part from "Cabbage" in *Small Farmer's Journal* Issue 33-3 (2009); <http://smallfarmersjournal.com/cabbage/>

14 Spring cabbage: Used 12,800 row feet per acre @ 16" plant spacing to calculate number of plants needed

15 Summer cabbage: Used 12,800 row feet per acre @ 18" plant spacing to calculate number of plants needed

16 Fall cabbage: Used 12,800 row feet per acre @ 24" plant spacing to calculate number of plants needed

➤ MIXED MARKET APPROACH

While it can be very helpful to have multiple market channels to have a buyer for more of what you grow, adding market channels does increase management responsibility and may require additional employees (e.g., staffing a farmers market stall and CSA pickup site). It may be beneficial to diversify

slowly and without spreading yourself too thin. Choose market channels that complement each other, such as CSA and farmers market, which both help build the customer base of the other.

Mixed Market Example 1—Mostly Direct Markets with Some Wholesale

~50% CSA	30% FARMERS MARKET	20% WHOLESALE
100 CSA members at \$550 per share (\$55,000)	1-2 farmers markets (~\$30,000)	Wholesale to small specialty stores (\$20,000)

Mixed Market Example 2—Mostly Wholesale with Some Mixed Markets

~30% FARMERS MARKETS	~70% WHOLESALE
2 farmers markets (\$32,000)	Wholesale to 5 restaurants (\$20,000) + wholesale lettuce, cucumbers, winter squash, and tomatoes to distributor (\$48,000)

➤ SAMPLE PRICES

Table 6. Organic Head Lettuce Through Various Market Channels

MARKET TYPE (CHANNEL)	PRICE	WEEKLY VOLUME (HEADS)	SALES	MARKETING TIME PER WEEK ¹⁷	MARKETING TIME COST ¹⁸	HARVEST, WASH, & PACK ¹⁹	PACKAGING EXPENSES	TOTAL MARKETING EXPENSES	NET MARKETING SALES	NET AS % OF GROSS SALES ²⁴	SOURCE
Farmers Market	\$3.50	60	\$210	1.12	\$31	\$13	\$1.00	\$44.80	\$165	79%	Groundswell ²³
100-Member CSA ²¹	\$2.63	100	\$263	0.80	\$16	\$18	\$1.00	\$35.33	\$227	87%	Groundswell ²³
Restaurant	\$2.50	30	\$75	0.5	\$10	\$9	\$5.00	\$24.00	\$51	68%	Groundswell ²³
Small Grocery Store	\$2.50	125	\$313	0.5	\$10	\$22	\$13.02	\$44.69	\$268	86%	Groundswell ²³
Large Grocery Store ²²	\$1.10	500	\$550	0.5	\$10	\$72	\$52.08	\$133.75	\$416	76%	Large organic chain
Distributor ²⁰	\$0.85	1,500	\$1,275	0.5	\$10	\$205	\$156.25	\$371.25	\$904	71%	USDA AMS

17 Time spent marketing for lettuce when part of mix of products sold = [Time at market/CSA] x [Lettuce sales/Total sales]; Farmers market time = [8 hrs] x [\$210 (lettuce sales)/\$1,500 (avg. farmers market sales/day)] = 1.12 hrs.; CSA marketing labor for lettuce (if 1 head of lettuce per person per week average) = (\$3 per lettuce head)/(-\$30 per person produce value per week of CSA) = -10% of marketing labor for lettuce; 2 people for 4 hrs of setup and tear-down = 8 labor hrs; 10% of 8 hrs = 0.8 hrs of lettuce labor per week.

18 Includes marketing time (@ \$20/hr) + marketing fees (stall fees) for product as a proportion of total sales.

19 Includes 15 min. setup time + product washing & packing time @ 150 head of lettuce/hr. [ex. (125 (hd of lettuce for CSA)/150 (hd per hour) + .25 (set up)) x \$20/hr].

20 Distributor price is based on Chicago Terminal Market price in the Specialty Crops Market News Division National Specialty Crops Organic Summary, August 28, 2017.

21 CSA price is based on farmers market price x share value paid/share value delivered (ex. \$3.50 x (\$525/\$700)); CSA marketing time includes an estimated 1 hr/member to get CSA members as well as time distribute the share each week. (Values for shares based on Groundswell Farm, 2016)

22 Prices ranged from \$1.20/head for butterhead to \$0.95/head for romaine from a national distributor (USA), not purchased from a local farm (July 2017).

23 Groundswell Community Farm (sales numbers from 2015 & 2016 seasons)—A diverse vegetable operation located in Zeeland, MI, marketing to Grand Rapids, MI, and Holland, MI, areas, co-owned by author.

24 These are estimates based on generalizations and estimates, which may vary widely based on farm operation, delivery distance, actual sales volume, crop, season, price point, etc.

Note: Marketing costs for CSA (both time and materials, e.g., brochures) is hard to capture, but we will estimate an hour per member. If we spend \$250 on brochures for 100 members and spend 1 hr per member marketing time @ \$20/hr = \$500 + (100 hrs x \$20/hr) = \$2,250 marketing labor time for CSA (about \$100/week for a 22-week CSA).

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