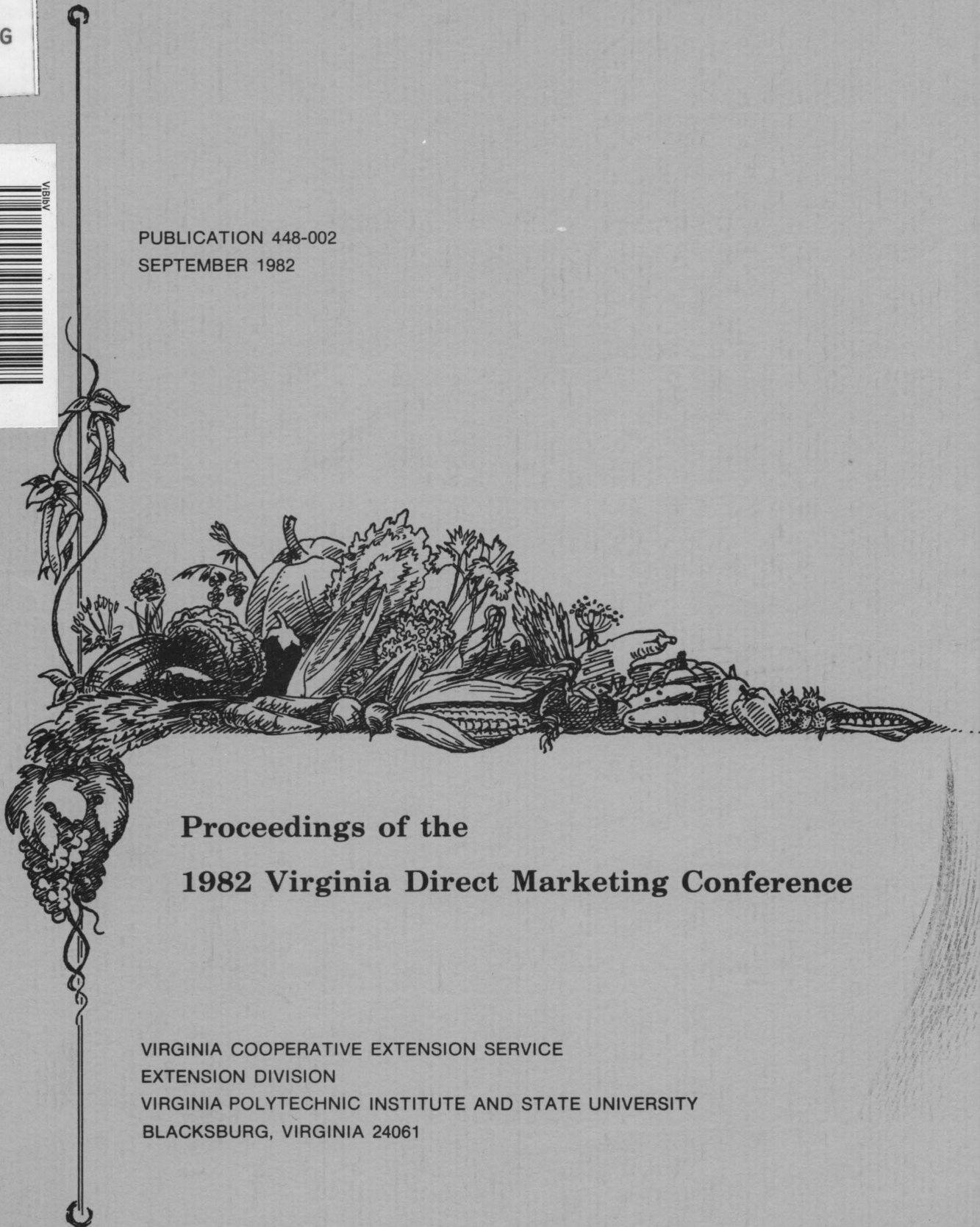


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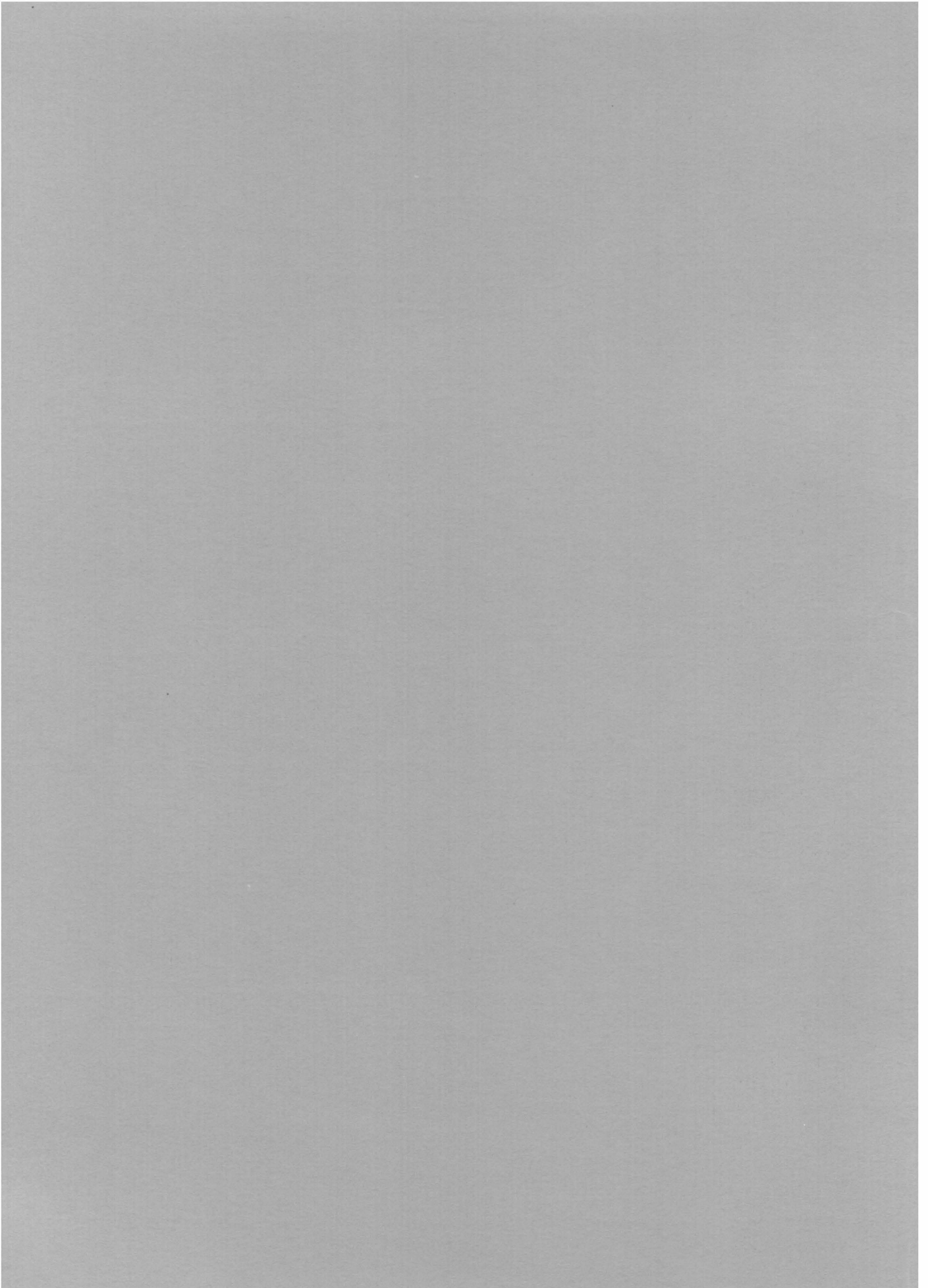
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Edited by:

James B. Bell and Herbert D. Stiles

This conference was jointly sponsored by the Virginia Department of Agriculture and Consumer Services and Virginia Tech through the Farmers' Direct Marketing Association of Virginia.

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## TABLE OF CONTENTS

PRODUCING A QUALITY PRODUCT FOR THE CONSUMER	
Richard McConnell . . . . .	1
PROMOTING QUALITY FOR DIRECT MARKETING	
Charles McSpadden . . . . .	3
HOW I ATTRACT CUSTOMERS	
John Sleeter . . . . .	6
MY FIRST YEARS WITH PYO	
Bob Schwartz . . . . .	8
DIRECT MARKETING OF LIVESTOCK	
Gordon Metz . . . . .	11
PRODUCING QUALITY FOR DIRECT MARKETING	
William M. Brooks . . . . .	13
HOW I MAINTAIN QUALITY PRODUCTION	
Sarah Foltz . . . . .	15
QUALITY IN THE RETAIL MARKET	
Betty Lou Applegate . . . . .	17
EFFECTIVE USE OF AGRICULTURAL SIGNS	
Ray D. Plumb . . . . .	20
WHY I DIVERSIFIED MY OPERATION	
Rod Parker . . . . .	25
PRICING STRATEGIES FOR DIRECT MARKETING	
James B. Bell . . . . .	28
FUTURE DIRECTIONS FOR DIRECT MARKETING	
Morris S. Fabian . . . . .	31
PLANNING FOR A PROFIT	
Chapman L. Huffman . . . . .	41
PLANNING YOUR BUSINESS	
Robert A. Villenave . . . . .	45
HOW I MAINTAIN QUALITY MUM PRODUCTION	
Connie Hoyes . . . . .	49
PLANNING YOUR BUSINESS	
Norman T. Applegate . . . . .	51
FAMILY TEAM WORK IN DIRECT MARKETING	
Ann Kaiser . . . . .	53
1982 VIRGINIA DIRECT MARKETING CONFERENCE SPEAKERS . . . . .	57
1982 VIRGINIA DIRECT MARKETING CONFERENCE ATTENDEES . . . . .	59



PRODUCING A QUALITY PRODUCT FOR THE CONSUMER

Richard McConnell

I'm here to talk to you about producing a quality product for the consumer. I guess the best way to tackle this topic is to run down how we do it at our place. We are located three miles northwest of Mt. Vernon, Ohio in the center of the state, 50 miles northeast of Columbus. Mt. Vernon population is 15,000, the county is 40,000. Newark, 25 miles south, is about 45,000, and 25 miles north is Mansfield with about 45,000 people. Columbus metro area is about 1,000,000 people and for various crops, we advertise in all of these areas.

A little background on our operation may be helpful. We began as a strawberry plant nursery in 1958 and through the next ten years first sold plants and then sold U-pick berries from plants that were not dug. By 1968, we realized our nursery costs were not competitive to more southern nurseries, so we switched entirely to U-pick. We expanded our strawberry plantings to 21 acres in 1971 but then realized that larger acres didn't necessarily mean better quality or yields. Since that time we have continued on a program to increase yields and improve the quality. We now have 18 acres of bearing strawberries and will be planting six acres this spring. We have ten acres of fruiting blueberries and two acres of two-year old plants which are still two years from a commercial crop. We have 16 acres of raspberries made up of six acres of Brandywine purples, five acres of Heritage, and five acres of Summer Reds, Boyne, Canby, and Hilton. In addition, we are growing 28 acres of sweetcorn, one acre of tomatoes, one acre of peppers, two acres of peas for U-pick, three acres of beans and about four acres of other vegetables. The fruit is basically U-pick with the remainder of the crops sold through the market or in some combination with wholesale.

We sold \$130,000 worth of produce through the market in 1981 starting in April with plants and continuing until December. This is substantial growth from when we started the farm market in 1973 when we sold \$14,000 worth of our own vegetables.

Now, back to the topic of quality. I think our first priority as growers of fruits and vegetables for direct marketing is to realize the customers' needs and desires. In our operation, the location of each of our planted crops is one of the choices we need to make to satisfy the customer. If it is a U-pick crop we attempt to locate the crop so it is accessible to the pickers and can be easily harvested. We still must plant the crops so our equipment can be used effectively and acceptable cultural systems can be followed. Pesticides are used on as limited a basis as is possible but I'm not saying we don't spray. We do. Our pesticide bill last year was \$6,000. It just makes sense not to use any more pesticide than is needed to give a top grade product. In addition, we try to spray with as little visibility to the consumer as possible.

We harvest our own crops for the farm market and attempt to pick them in top quality condition. For example, sweetcorn is hand harvested early in the morning for that day's sales when field temperatures are lowest. We immediately put the corn in cold storage. For strawberries, we maintain tight field supervision and grading and then put the berries in a 30 degree storage immediately. This rapidly pulls out field heat and allows us to keep them fresh and firm. We pick only for one day sales which averages 800 to 1,000 quarts per day. We pick strawberries into one quart or four quart baskets for the market and four quart baskets for U-pick.

We used to sell by weight, but as the yields got up around 15,000 to 20,000 pounds per acre, the picking was so easy that our checkout procedure could not keep up. By switching from the weight basis we eliminated one scale operator, and one cashier. We also eliminated the slow checkout and the congestion caused by piles of empty carriers. Again, the needs of our consumers were a major reason for the change.

We grade our vegetables in the field so poor quality does not end up in the market. Once it gets to the grading and packing area, we still place emphasis on maintaining high quality. Produce that needs to be in coolers is placed in one of our two coolers as soon as the grading is completed. Once the produce is moved into the market the consumer is able to select the products they want without having to grade or handle it. For example, sweet corn is selected from a bulk bin and bagged by the consumer in units of thirteen per dozen. Surprisingly, there is little waste in this process as unacceptable quality for one customer is what another wants. We do sort as the day progresses and throw out the obvious culls. But by recognizing that customers do have different tastes and by letting them choose on their own, they are able to satisfy themselves from the quality we offer.

My family and I have enjoyed visiting Virginia and we look forward to getting to know more of you as the conference proceeds.

PROMOTING QUALITY FOR DIRECT MARKETING

Charles McSpadden

I am happy to be with you today and visit on promoting products for direct marketing. I am from Cleveland, Tennessee, a small rural community about 30 miles from Chattanooga, and I have about 30 acres of apples, all of which are direct marketed from our "Apple House" market. I have been direct marketing since 1972 and have been more than satisfied with our growth.

Over the years we have used a number of promotional activities which I will discuss in some detail. However, first I want to stress what I think is most important to success and that is quality. You must have quality before any promotion can be successful. Regardless of your promotion, if you don't have quality your customers will not come back. When our customers come to Apple House we want them to think of two things. First is apples and our motto, "nothing better than apples". Second is quality. If you want your customers to stay with you, you have to have quality fruit.

Care in picking is one key to maintaining high quality. You must be very careful about maturity and you must have pickers who don't bruise the fruit during picking. We try to paraphrase the wine commercial, "we sell no wine before its time" by saying we pick no apples before they are red, sweet and delicious.

At one time, we sold apples in several different sizes of baskets, but today we use only the bushels. All one-half pecks, pecks and one-half bushels are bagged. Bagging not only saves time and payroll, but most customers like to select their apples from the bins and bag them themselves. When the customers bag their own, they have an opportunity to inspect each apple and are therefore more likely to be satisfied with their purchases. In our Apple House, we handle over 100 different gift items. All are apple related and include such items as apple table cloths, napkins, cookbooks, tote bags, get well cards and apple peelers. During the Halloween season we sell pumpkins but this is the only item we handle that is not apple related with the exception of syrup and honey.

I realize that under many circumstances, direct marketers must make substantial outlays for advertising and promotion. In my situation, however, I have been fortunate and have received free advertising and promotion which is more than adequate to sell all the apples I produce. Last year my advertising budget was only \$30 and I do not anticipate spending more than that this year. Let me talk about some of the ways we promote our apples.

1. Newspaper advertising - We have one or more feature articles written in local and/or regional newspapers each year about our operation. Most of these are full page stories which give some details about our business. These stories usually include a number of pictures, recipes and

instructions on how to find our farm. Feature stories on your operation are good publicity and extremely beneficial to your operation. On a recent day following the appearance of a feature article in the Chattanooga paper, our market was completely sold out of apples within a few hours. We could have sold many more apples if they had been available. If a feature article appears on your operation, be prepared for a large turnout of customers.

Don't just sit and wait for feature articles to come your way. Contact newspapers and let them know what is going on at your operation. They are interested in doing human interest stories on ordinary operations that take place around the orchard such as pruning, spraying, picking, etc. Establish a rapport with your area newspapers.

2. Local Agricultural Radio Programs - I work with our local county extension agent and he provides information on the crops that are available for direct sale in the community. This is a service to consumers who are interested in purchasing fresh produce locally, but it also provides me, and other direct marketers, with valuable free publicity.

3. Schools, Scouts and other Community Groups - Each year I invite schools, scouts and other community groups to visit my orchard. We provide a tour for these groups and tell them about growing apples. We show them the grading room, the cider room and the sales floor. Finally, we give them a free cup of cider and an apple. This is a community service but it is also an extremely good promotional activity for us. On weeks following school visits, many kids bring their parents back to the orchard. We have had school groups to travel over 50 miles to visit our orchard. Even at this distance, many of the parents return the following weekend.

4. Pruning School - We provide a county wide pruning school to anyone in the community who wishes to learn about pruning. A number of suburban people have one or two fruit trees in their back yard and are interested in learning more about pruning. The free pruning schools normally attract from 300 to 400 people. We quite often get t.v. and newspaper coverage of the pruning school which is added publicity for the market. Even though most of these people have some fruit trees themselves, many show up at harvest time to buy additional apples.

5. Senior Citizens - We invite senior citizen groups to tour our orchard. They are usually very interested in the orchard and want to see the entire operation. One characteristic of senior citizens is that they are really effective in spreading the word about your orchard. Most of them have a fair amount of free time and they do a lot of talking to others about your orchard.

6. Chamber of Commerce - We belong to the local Chamber of Commerce and I would recommend it to you. Although most of the other members are downtown businesses, I have found it to be most beneficial to our business. Since we are members of the chamber, they attempt to steer groups visiting the community to our orchard. For example, the chamber sponsors a "Fall Color Trip" and they always schedule the buses to come to our orchard. They by-pass several other orchards who are not members of the chamber.



This year, we received some excellent newspaper coverage of the "Fall Color Trip" visit to our orchard.

7. Speaking - I never turn down an opportunity to speak to a civic group about the apple business. A number of community groups are looking for someone who can speak at their meetings and I consider this an opportunity to provide some education about agriculture and in the process promote the Apple House.

8. Classified Ads - Our paid advertising is minimal. We run a classified ad from our opening day in August until we close in December which reads "Apples and Fresh Cider - Apple Valley Orchard".

I cannot identify the specific contributions of each of our promotion activities, but I do know that the cumulative effect has been to provide us with a very strong market. We have some who pass several orchards to come down to the valley each year and some of these drive over 100 miles to get our cider and apples. In addition to our promotional efforts, I think the real key is quality. We do place emphasis on quality, fresh apples and quality cider, and we feel that this has paid off for us over the long run. Last year we sold every apple we grew by direct marketing and we could have sold at least ten thousand more bushels. Our total promotional expense was only \$122. I attribute this to the reputation for quality and for developing the combination of advertising and promotion programs which we have developed over the years.

I have enjoyed visiting with you.

## HOW I ATTRACT CUSTOMERS

John Sleeter

I am pleased to be with you to address the topic, "How I Attract Customers". As I prepared my remarks, I found this to be more difficult than I originally anticipated. What I will do is share some ideas on how we operate at Hill High Orchards and try not to sound too much as if I am merely tooting our own horn. Hill High Orchards was purchased by my parents in 1942 and at that time consisted of a 35 acre apple orchard. My parents reworked the original orchard and began expansion into other fruits and vegetables. In 1950, they began to operate a retail sales outlet for peaches and apples and since that time have expanded this operation several times. Currently, our operation consists of about 1,000 acres with about 500 acres being in apples and peaches, 40 acres in strawberries, and an additional 500 acres in small grains. About 75 percent of the fruit and vegetable volume is packed in our packing house for wholesale outlets and the remaining 25 percent is sold retail. We are constantly looking at our operation and attempting to keep it updated with an eye on always attracting more customers to our retail operations. To us at Hill High, there are three elements that we think are extremely important to attracting and maintaining customers. These are: (1) having the products and services that customers really want, (2) merchandising these products in a profitable manner and (3) always having the customers feel good about their visit when they leave.

There are several tools we have to work with in attracting customers to our market. Some of these tools are:

1. Store design and atmosphere - This is extremely important since this is the first thing the customers see when they drive up to the market. We want to be sure that the market building and surrounding areas are neat, clean and attractive to the customers. Our market is located on a pond which adds to the attractiveness of the surroundings. We use a wagon to help build the rustic image of the market. Our signs are neat and conform to the surroundings. We encourage our customers to bring their families when they come and enjoy a picnic by our pond.

2. Customer contact and employee relations - The importance of the customer contact can not be over emphasized. We employ three full time people and supplement these with high school students. We place high priority on training all employees, and especially the temporary employees, about the products that we handle and about Hill High Orchards. Each year we hold seminars for all of our new employees and supplement this with handouts about our products. We cover the philosophy of our business and what we are trying to do. Attitude and neatness are continuously stressed. During our seminars we work with our employees to make them understand and feel that they are of key importance to our success.

3. Product and store design - We feel that our products should complement our store design. Our primary products are apples, peaches,

strawberries, crafts, hams and jellies. We don't get into handling groceries since this doesn't fit the image we want to create for our market. Our prices are not necessarily the lowest but we attempt to give quality at a fair price. The majority of our customers travel 30 miles or more to our orchard so we feel it is important to have adequate quantities of products when they arrive. The facilities cannot be very extensive due to the seasonal nature of the business. Our facilities are not built to fully accommodate the peak periods, but you must look at the facilities as they may be used over a nine month period.

4. Advertising - There are a variety of advertising techniques and media we have tried over the years. We have used television but we found it to be much too expensive in our northern Virginia area. We had a customer mailing list which we used to send notices of strawberry picking dates, apple and peach picking dates and our Christmas gift program. We discontinued this in 1981 because we found it was getting too expensive. We have a high turnover of people in northern Virginia and we found that the cost of keeping the mailing list up-to-date was too high. In addition, post office rates have gone up substantially in recent years. We have done some radio advertising but unless the radio announcements are concentrated it can be rather expensive. One of the things that continues to be most successful for us is newspaper supplements. This is our most economical form of advertising. Some of the special supplements we have done are "Strawberry Time", "Peach Time", "Apple Time" and "Holiday Time". We stay with the theme "Time" in all our ads. These supplements are inserted in the Washington Post which covers the entire metropolitan area and in three northern Virginia area newspapers. We include our toll free telephone number so customers can call us and during peach and apple season we receive up to 1,000 calls per day. We found the supplements were so successful that we cut back on our radio advertisement and eliminated our television advertisement.

One of our promotional activities is to offer a free pruning demonstration to the community people. We work with Virginia Tech in conducting this demonstration and we give away door prizes at the demonstrations which attract from 250 to 300 people. We have worked with our Chamber of Commerce on a variety of enterprises. One that has been quite successful is our area farm tour. The Virginia Department of Agriculture and Consumer Services has been helpful to us through their pick-your-own brochures which they distribute. We have sponsored school tours, for which we do charge, and these have been quite successful. We also participate in a number of meetings in the community.

To summarize, image is something that we work hard to create, but it can be prostituted unless it is followed by sincerity. How sincere, how excited and how involved you are has a big bearing on how successful you will be with your business. We are all proud of our involvement in agriculture or we wouldn't be here today. Let's be sure we live up to the image for which we strive.

MY FIRST YEARS WITH PYO

Bob Schwartz

I was raised in an urbanized area of New Jersey but I spent a lot of time on area vegetable farms during my late grade school and college years -- not much money, but I liked the work. I liked it enough to rent a 100 acre orchard and cropland farm at the age of 21. I sold all my products wholesale and after a couple of years, I decided farming was for someone else.

But, twelve years later, my wife Elizabeth and I decided to raise our children on a farm; so we purchased, and moved to our present farm in Orange County, Virginia. We decided never again to raise vegetables or truck crops, so we got into the livestock and grain business. I worked hard on the farm and Elizabeth was employed in a non-farm job; between us we made a profit most years. The biggest drawback was, and still is, that someone else sets your prices.

In 1977, we had a terrible drought, the worst in fifty years. Because of a drastic shortage of feed, and forage, we had to sell (give away) 200 head of cattle and our income for the next year or more.

That was when I decided to raise a small acreage crop which we could irrigate in order to gain some control over the environment. We planted two acres of strawberries. Ours was the first strawberry planting of this size in our rural county and it had all my neighbors concerned. They were concerned enough to start me worrying!

We borrowed our first irrigation system, and bought virtually no special equipment for our first little venture. The next spring, 1979, we planted three more acres without having sold our first berry. That's when my neighbors really started feeling sorry for me. They still kept feeling sorry for me until about June 10 by which time I had sold about 12,000 pounds of strawberries per acre. In our first year, we had only two acres of strawberries, some sweet corn, and some pumpkins for production tests. We do not have the best or highest producing land in the State, it's predominately clay with some loamy bottoms, but the vegetables did fairly well. The next year we picked over five acres of strawberries and about seven acres of vegetables, mostly corn and pumpkins. We have 70,000 residents within 25 miles of the farm, so we have continued to expand. The third year we were picking about ten acres of strawberries and about fifteen acres of vegetables. This season, we will have thirteen acres of strawberries, one acre of red raspberries, and twenty acres of vegetables.

As you can see, our acreage has climbed at a moderate rate over a four year period. We do advertise, but not a lot. We feel that our best advertisement is the good old customer, and we believe it's working. Certainly, we budget more for advertising now than we did a few years ago, but the percentage of gross is lower than it used to be.

In our first year of production, we accepted several principles which we still consider very important: (1) Never over-advertise your product to the point of having nothing to pick or of having poor or slim pickings. I feel that nothing aggravates a customer more than driving 10, 15, or 20 miles and then finding a sign "Sold out today". I have never heard a percentage of over-production which we should have on pick-your-own products, but I feel that we are doing it right when we leave no more than 15% of a product in the field. (2) Grow products and varieties which people request. We have had customers come from as far as 80 miles because we had promised to grow a certain variety or crop that they wanted. We didn't grow it only for these people, but they felt we did, and always remember that the customer input is one of your best references.

I strongly believe that advertising, and good public relations are keys to a successful operation. We take advantage of every possible opportunity to put our name in front of the public. First we try to get all the free publicity we can. We just let the newspaper and broadcasting (t.v. and radio) know where we are, and what we are doing; they use this information in public service stories. The second choice, naturally, is paid advertising. We try to keep our name in the public's eye, not only during production months, but all year long.

I am not a big believer in profuse use of road signs. Probably, one reason is that we are on a primary highway with good vantage points from either direction. If we had purchased this farm for a U-pick, we couldn't have found a better location. We do believe in sufficient signs when one enters our farm. These are for directions, parking, pricing, and most important, our farm rules.

We try to run a neat, clean, and disciplined operation. I found out in a short time that pickers like to be told what to do. It's cheaper to paint this information on a sign than to pay someone for saying it. However, we do not rush or hurry customers away, in fact, we encourage them to take their time and enjoy the country.

We felt, after our first year, that we had done a good job, but we also felt there was room for improvement. So, Elizabeth and I planned and discussed our next season's operation at such length that by April 1 I thought we had already finished the year. However, all this planning did pay off. Nothing makes me feel better than to hear customers tell us that we have a well-run operation. This customer attitude makes the time involved in planning very worthwhile, and profitable. Some farm rules which we adopted during our planning sessions and which I feel have helped us to become successful are: (1) Have pickers stay in assigned rows so you know what areas have been picked, and so that each customer can be placed where picking conditions are good. I have heard pros and cons on this practice; however, during our first picking season, we were convinced that the customers like it and that this is the way to go. (2) Enforce the minimum sale. Naturally this varies with different products. Most customers travel to our farm specifically to pick produce. However, being on a heavily traveled road, we get a number of "walk-on's" who could be a problem if minimum purchase rules were not enforced. I feel that I am granting a privilege when I allow someone to come and pick products on my



farm especially since they are free to eat all they want in the field; I expect them to pay me a minimum amount in return for good produce and for the privileges associated with picking it. (3) Allow children in fields, under supervision. Sometimes that's a joke, you can have more problems with parents than children. However, in our three years, I can't really say that children have been damaging or creating any problems. We have to remember that these are our future customers. (4) Have the customer pick the largest, ripest, most mature products. Nothing is more discouraging than to see a customer with a tray of white strawberries or a basket of half ripe tomatoes or a bushel of big old beans. This does not result in good advertisement so we are serving ourselves when we teach the customer how to select high quality products.

I would like to say a word or two about our pricing, and system of sales. My first thoughts on how to price or sell a product were confused. I observed operations on several other farms prior to our first selling year, and was convinced that selling by weight (rather than by measure) was the way for us to go. After three years, I am even more convinced that we made the right decision. We sell all products (except sweet corn) by the pound. It takes a little longer to get customers through the check-out line, but I believe you can afford to hire an extra person or two to collect the extra revenue on products which would otherwise be given away in over-filled containers. We also feel the customer is being treated fair since he or she is paying precisely for the amount of product picked, no more and no less. I will admit we had one problem. It was awfully hard to get customers used to buying a pound of strawberries rather than a quart, but I believe we have won this battle.

As for the hired help. Starting small and still not being large, our labor problem has not been too great. Aside from field supervision and sales personnel, I would rather invest money in mechanization than be frustrated by labor problems. When labor is needed, I have found that part-time adults do a more efficient job than school children or teenagers. Naturally, when you are in an area such as ours where no one has had experience with the products we grow, it takes a little more time and patience to teach your help what you want done. We try to involve as much of our family as we can, especially during peak sales and picking times.

In closing, I feel a need to remind all of us who are pick-your-own operators that we are not farmers or salesmen. We are a link between the American public and the field of agriculture. These people trust us to give them a better product for a lower price and it is our opportunity to make them aware of and to believe in modern agriculture.



DIRECT MARKETING OF LIVESTOCK

Gordon Metz

My wife Brenda and I have operated a beef and grain farm in Henry County for the past eight years. When we first entered farming, a brood cow was typically worth around \$500 but after the drop in beef prices two years later the same cow was worth about \$350. At this time we began to look around to find a better way to market our cattle and to boost our income. We decided to go into processing and marketing our own cattle. We started with a small custom meat processing operation which later grew into a full retail convenience store.

We have been satisfied with our direct marketing of beef, but it has not been without its problems. I realize that most of you at this conference are involved in fruits and vegetables, so I would like to warn you of some special problems involved in direct marketing of beef in case you are thinking of adding meats to your current operation. The three primary functions in direct marketing of beef are: (1) production, (2) custom killing, and (3) retailing. Production of beef, as I have heard other speakers discuss earlier, requires a quality product. I will not dwell on the management and production techniques that are necessary to produce quality beef, but it goes without saying that quality is very important. One of the reasons that I initially opened my own custom slaughter facility was that I experienced considerable difficulty in scheduling the slaughtering and processing of animals I wanted to sell direct. It would sometimes take a month or more from the time a customer contacted me until the custom slaughterer in my area could handle the order. I lost a number of custom sales waiting to have an animal slaughtered and the only way to solve this problem and develop a reliable direct marketing business for cattle was to enter the custom slaughter business myself.

A custom slaughter operation requires a considerable investment in equipment. Unless you have substantial numbers of livestock and good market outlets, you may find that you can not justify the investment in the custom slaughtering facility. You will likely find that you are real busy for four months of the year and then operating on a reduced level for the other eight months. With this situation, most custom slaughterers begin handling livestock for other farmers so they can spread their overhead.

When retailing processed beef you will often find the competition on many cuts is very tough. When placed in direct competition with larger commercial processors they often have a competitive cost advantage because they utilize all by-products. This is most apparent with the high quality cuts such as rib-eye and t-bone where they place their pricing emphasis. It is very difficult for a custom seller to make much money off of these cuts. Where you make money is in the processing operation itself and that is also where commercial processors make their money, not in the retailing.

We have had up to 900 cattle on our farm but we now have only about 500. We made this reduction because of the very competitive cattle market this year. We now find that we can buy beef cheaper than we can raise it. In this business the manager needs to be aware of changing market conditions and to make adjustments in the methods of operation in response to these changes. In your retailing operation you will, to some extent, be in direct competition with Kroger, A & P, and other chains. They price the good cuts very competitively anticipating that you will buy other items while in their store. The custom meat retailer, relying only on beef, is therefore placed at a pricing disadvantage. We have searched for some ways to overcome this disadvantage and have had some success in selling boxes of beef. This is a smaller unit than a quarter or half of beef. A side of beef, for example, now costs \$300 to \$400 and many people just can't come up with that kind of money. What we find is that we do better selling \$30, \$40 or \$50 boxes that don't require such a large outlay at one time. We put a mixture of steaks, hamburger and even other meats in these boxes.

One of the things we do in marketing our beef is allow the consumers to come to the farm and look at the beef on the hoof. Viewing the cattle doesn't guarantee quality because many quality problems can arise during the processing. We do guarantee quality of the final product and if there is any question, we will make another animal available. We can guarantee that no additives or implants have been used in the production of the cattle and this is very important to many people. When processing meat in large quantities there is going to be some odor so you should plan your operation so odor is minimized in the areas where customers come. I think a custom meat retailer should have a logo that is easily recognized that can be placed on signs, cards and in advertisements. I keep a good mailing list of my previous customers and send them a card in the fall letting them know what beef I have available. If the direct selling operation is well run, then a farmer can make about \$50 a head over the wholesale market for a beef but this is not without work and risk.

Quality must be stressed in the beef you produce and market. This does not mean merely feeding cows for two weeks in January, but it means developing a quality grain feeding program. You see many advertisements about western fed beef and these irritate me because we can and do produce quality eastern fed beef. Typically, our feeder cattle are shipped west, fed and the meat sent back east to be retailed. In direct selling, this shipping is eliminated and we have the "eastern fed quality" there. We are seeing more interest among cattle producers in direct marketing of beef around Virginia just as you are with other farm products. I think that direct marketing of beef has become of age and there is a viable alternative to sell beef directly to the consumers. The farmer does have an alternative to just being a price taker. He can go into direct marketing.

## PRODUCING QUALITY FOR DIRECT MARKETING

William M. Brooks  
Ohio State University

Quality produce is the backbone of any direct marketing produce operation. Today I will give you some tips or ideas on what I think you can do to produce quality vegetables for your direct marketing enterprise.

The soil is a very basic factor in the production of any crop. With this in mind the following are some soil management factors which may help you to get maximum returns from your fertilizer dollar and to maintain produce quality:

1. Desirable soil pH - For most vegetable crops on mineral soils try to maintain the soil acidity in pH 6.2-6.8. In this range, most of the elements will be readily available, the soil micro-organisms will be most active, and most vegetables will make the best growth.

2. Adequate soil drainage - This is one of the basic considerations in successful vegetable production. Vegetable root growth will be limited on poorly drained soils. If drainage is a problem, you should solve this problem first, before spending large amounts of money for increased application of commercial fertilizer. In some areas surface drainage can be improved by land leveling and installation of various types of surface drainage structures. Some growers have resorted to raised beds in recent years. The surface drainage should be looked upon as a complement to tile drainage.

3. Maintain soil organic matter - Under Ohio conditions rye or ryegrass is sown in early autumn to help maintain the soil organic matter. Some growers have included other crops in the rotation. Sometimes special summer cover crops like sudan grass, soybeans or thickly seeded field corn are used following early-harvested vegetables.

Where adequate land is available, vegetable growers should think in terms of a longer rotation so a soil-improving crop can be grown throughout the summer. Such a rotation will help greatly to improve soil physical conditions and also reduce the likelihood of a buildup of soil born diseases and insects.

4. Lack of water during growing season - The lack of water at certain stages of plant growth may have greater effect on crop growth, yields and quality than lack of sufficient fertilizer. Timely irrigation will help to get the maximum results from fertilizer application. Many people look upon irrigation as a form of insurance to preserve both yield and quality.

5. Adequate plant population - The plant population will vary with the variety being grown, the fertility of the soil, the amount of available water, and the market you are trying to satisfy. More research is needed on the effects of the different factors upon plant populations.

6. Varietal response - Some varieties will respond better to heavier application of fertilizer than other varieties. Some celery varieties have higher magnesium requirements than others. Some of the newer broccoli varieties have a higher boron requirement than older varieties. Other examples could be cited.

7. Control weeds - Weeds will rob the crop of valuable fertilizer and remove large amounts of water. A well-planned weed control program is an important aspect of vegetable farm management.

8. Fertilizer placement - Location of fertilizer with reference to seed or plant can have much bearing on response to a given fertilizer application. Many times a small amount of fertilizer placed in the proper location with respect to the seed or plant can have as much effect on the yield and quality of the harvested crop as a larger amount of fertilizer placed improperly. It is usually best not to plow down nitrogen and potassium on soils with a low cation exchange capacity and no cover crop or crop residue.

9. Soil tests - Vegetable growers should follow a regular program in having soil analyses made to determine need for lime and as a basis for planning their fertilizer and lime program. A soil test report is another management tool that can help you do a better job. It is not a cure-all or a substitute for poor management in other areas.

Complete records should be kept of the soil tests reports, amount of lime that has been applied, fertilizer practices and yields and quality of crops from the various fields. This is an obvious point but many growers do not do it.

Check with your local county agricultural agent on how and where you can get your soil analyzed.

10. Foliar analysis - This is another management tool. Vegetable growers should systematically have foliar analyses run on their crops. Foliar analysis is an excellent method of determining the availability of nutrients for plant uptake. It is the best method available for determining the status of nutrients in plants, particularly the minor or micro nutrients.

Naturally there are many other factors which contribute to quality produce. Some of these factors are listed below:

1. Disease control
2. Insect control
3. Harvesting at proper maturity
4. Post harvest handling
5. Selection of proper variety for purpose intended.

## HOW I MAINTAIN QUALITY PRODUCTION

Sarah Foltz

It is with much hesitance that I speak to you this afternoon and it is with even greater hesitance that I prepare to enter the fifth year at Gentle Giant Farm. Since I can't tell you our success stories (because there haven't been any) or reveal any farming secrets we have learned, I will tell you a little about Gentle Giant and our future plans.

First, there are four equal partners: My husband, Lee Foltz, who works full time at Reynolds Metals; his sister, Kay Munday, and her husband, Jerry, who own and operate a large successful dairy farm; and I am the fourth partner.

Gentle Giant is a pick-your-own small fruits and vegetables farm of about 35 acres. In the past we have had a lot of the regular garden vegetables, plus strawberries, and raspberries and thornless blackberries. But, after four years of netting nothing and the farm being only an excellent tax deduction, we've decided to make some big changes. We will continue with the berries and eliminate all the vegetables except the ones that have proven successful. These vegetables include:

Asparagus - People usually don't plant it in their home gardens.

Broccoli - It does well on our farm and is much in demand.

Peas - People probably pick peas just to see our pea sheller operate (free if they pick our peas).

Silver Queen Sweet Corn - one small field.

Potatoes - Let me tell you the story behind our decision on potatoes. Last year at the conference held in Charlottesville, my husband and I had the privilege of hearing Dayton Hubbard speak. Mr. Hubbard is a very successful producer in Michigan. He offered good, sound advice. He said plant potatoes, they are no trouble and don't cost much to raise. Some advice from my brother-in-law came to mind. He said to go to these conferences and if you get one useful idea the conference is worthwhile. I would like to mention that my brother-in-law is none other than Fred Fifer of Fifer Orchards in Wyoming, Delaware, and as far as I am concerned, he wrote the book on farming. Last year's useful idea was potatoes.

After one morning of planting with kids, grannies, and everyone helping and a good growing season, we had a beautiful field of potatoes with very little cost or work. The Saturday morning that we advertised potatoes, "we plow'em, you pick'em", cars filled our parking lot and lined both sides of the road. People were everywhere with all kinds of containers. As the plow went down the row, people grabbed up the potatoes and when no one was looking they grabbed potatoes out of each others buckets. We sold nearly the entire one acre of potatoes in three hours at ten cents per pound. We were pleased and so were the customers.

Now, when deciding on a "useful idea" be careful not to go overboard as we did following the very first conference held in Richmond. After listening to Fred Funk and many other "big" direct marketers with locations near heavily populated areas, we could hardly wait to get home and spend money. "Let's sell ice cream" we decided. Do you know how many ice cream cones one would have to sell to pay for having a well reamed out, grouted and fifty feet of casing put in? This was all a part of renovations that were necessary to obtain a restaurant permit we had to have to sell ice cream; Think about it!

Back to our plans for Gentle Giant. By eliminating certain crops, we will reduce our operation so that we can handle the labor ourselves and still maintain the quality of our product. This will cut our expenses and if this doesn't work, you other direct marketers may have to carry on without us. Since our farm is located in Rockingham County with no large cities near by, our closing would be no big loss.

I wish everyone of you a good sense of humor to carry you through the trying times such as Lee and I experienced late one night last summer. By flashlight, we were trying to clean a mama skunk and her babies out of the last spigot in an irrigation pipe wondering all the while "...why couldn't it at least have been a rabbit?" That night (and many other times) around Gentle Giant we have asked ourselves, "Ain't farming fun?!"

In conclusion our main success in four fairly miserable years of farming is that we four partners are still the best of friends and we haven't quit yet.



## QUALITY IN THE RETAIL MARKET

Betty Lou Applegate

Before I begin my talk on "quality", I feel compelled to share an experience with you. Due to the nature of the strawberry, peach and apple seasons, my husband and I always take our vacation in January or February. There's not too much you can do during this time of year, so we learned to ski and have been skiing most winters. This year we were fortunate enough to ski in Switzerland where we paid 3 Francs - equivalent to \$1.50 - for one large Golden Delicious Apple. The Swiss really appreciate the value of handling their fruits and vegetables properly...they hang signs over the very small displays of produce saying "Do not squeeze the produce", and believe me, you'd better not try! This experience has made me very grateful for the abundance of fresh fruits and vegetables which we enjoy in the U.S. In the U.S. we take our vast farmland for granted, but in Switzerland every little piece of fertile land is utilized. We saw vineyards and orchards planted on terrain so steep that it would have been considered useless in our own country. Before this trip abroad, I had always taken our land and its productivity for granted, but I came home refreshed and looked at our farm with new appreciation.

Now - on to quality. Customers driving to your market or farm demand and expect quality! This is the only reason they're making the effort to drive to you. Similarly, when you go to the egg farm, don't you expect to buy the freshest eggs? - When you visit the citrus groves don't you expect that orange to be the most delicious tasting orange?

We as growers have a fantastic aura - an image of freshness and quality built right into our business, but some of us fail to recognize it. The consumer is driving out into the country-side in order to meet the farmer that grows his products and to buy these products from the farm market, or better yet, to pick his own. Also remember that the customer is visiting your farm to "play farmer for a day". I know when a "customer-farmer" steps into our store, he assumes he will be "crunching" into a very fresh, tasty apple. When he walks to the cider bar to sample our cider - he thinks - to himself - this will be a good glass of cider - because it's so fresh.

With regard to the special problems of maintaining quality in a retail farm market, an owner has to instill the idea of maintaining quality in every single employee - from the teen-ager who picks strawberries all the way up to the store managers. Take time to explain your goals and objectives. Your example is very important - show you care about quality.

Where does the quality theme really begin? It's like the chicken and the egg thing - it really begins with the grower - he must use the best horticultural practices possible. Fortunately we have "in house growing" and we should be able to control all quality.

When the pickers harvest they should be cognizant of the fact that their boss wants only No. 1 quality fruit picked. But when the boss is not around do they try to slip a few off color apples in the bottom of the bucket? Do the pickers handle the fruit without bruising? Are they careful to pick only mature fruit? What about those employees who sit on the pack line and grade apples day after day - do they feel like their work is important? Do they try to get every bruised apple before it passes down the pack line? It's tough to keep enthusiasm and effort on a monotonous job such as this - rotation of assignments is one way to keep graders alert and to maintain quality in the packed product.

We now have those apples picked, graded and packed carefully into containers. The store clerks still must check the apples on display - when a young boy starts work as a stock clerk in our market - he's unsure about which apple is utility or 2nd grade, which is a cider grade - we developed a slogan - "when in doubt take it out!"

I try to emphasize the fact clerks are not doing me a favor by slipping an inferior apple into the display or into the customer's purchase. Believe me there have been times I have often asked our employees - would you buy these bananas? They answer NO - so I ask then why do you think a customer would want them? Put them into the reduced merchandise containers or throw them out".

It only takes 2 or 3 inferior quality items in a produce cooler for a customer to make a generalization in his mind that all the produce in the store is inferior. In order to motivate your employees to be concerned about quality you must constantly try to create good rapport and good morale within your business. Good morale is a state of mind which brings your employees to do things beyond the normal call of duty. Do your employees take extra responsibilities? One way to better morale is to try and establish good rapport with employees. Let them know you care about them. Then hopefully they will take your goals as their goals. An essential part of rapport is identification with your firm. If your employees feel that they are part of the business they will take personal interest. If they feel important in their jobs they will feel directly responsible to produce a quality product and they will take pride in displaying quality fruit only.

Share important policy decisions with your employees - listen to their feedback and keep them aware of problems. A speaker at the Ohio Roadside Market Conference made a very important point when he said that "those employees who share care". Listen to your employees' suggestions on how to maintain quality. One college gal gave us a brilliant idea we've used for ten years. During the winter months apples do not sell as quickly as in the fall. We worried about rotation. Naturally we diminished the size of our displays - but you are all aware that small displays do not sell anything. This young lady suggested that each day we bring out apples, they be priced with a different color tag; Monday-red, Tuesday-blue, etc. It was simple, but so good! Every evening before closing all apples are moved back into our cooler - for the night. This is a pain - but in the name of quality - we endure.

Our store manager is conscious of quality in other areas also. The doughnuts are made fresh everyday by trained personnel with only quality ingredients. Our cheese is cut and packaged fresh. Before our manager places a new product on the shelf, she checks its producer and its quality. Remember that every product you sell - cider, doughnuts, apples, cheese, jelly - reflects upon the total quality image of your store.

In conclusion, when new employees are trained they are given our Battleview philosophy - and the first point emphasized is Fine Quality.

EFFECTIVE USE OF AGRICULTURAL SIGNS

Ray D. Plumb

I would like to welcome all of you here today and I trust you have picked up some important points to apply to your farm this growing season. During this session I will discuss the effective use of agricultural signs in Virginia.

The topics of discussion shall consist of the following:

- How highway signs fit into the overall advertising package to attract customers to your farm,
- Their advantages,
- Planning and design,
- Regulations affecting signs,
- Special comments,
- An illustrative view of agricultural signs used last year in Virginia,

Then I'll wrap it up and open it up to discussion in which Mr. Barrett of the Virginia Department of Highway and Transportation and I will address specific questions you may have on the use of agricultural signs.

Farm location is one of the most important aspects to consider when developing retail farm operations for direct marketing. An ideal location is a farm located on a major state or county highway, near a stable market, with easily understood directions. Unfortunately, many of you do not have any choice in where your farm is located. Furthermore, most consumers who patronize retail farm operations usually live within a 40-mile radius of the farm, but some drive 50 miles or more. Hence, directional highway signs can be very valuable in directing people to your farm.

Increased travel time and vehicle operating expense tends to discourage many people from visiting a remote farm. Therefore, many of you advertise by newspaper, radio, or TV to attract customers. All of your advertising efforts could be in vain, however, if people are unable to find your market. The use of directional highway signs assures the direct marketer that potential customers who are attempting to come to the farm will safely and easily reach their destination. Do not lose customers simply because they cannot locate your farm. These people either go home disgusted, will be less inclined to try again or will simply go to your competitor who used directional highway signs.

There is another advantage of directional signs. If your market is located in the country off the major highway, a family taking a weekend

drive may never know that your market exists in that locality. However, if you have attractive well designed signs, you may attract impulse customers. In order to do this, your highway signs need to be visible and easy to read by passing motorists. They should give the necessary information such as farm name, location or direction, hours open and what items are for sale.

Be sure to keep the message short and simple. A visual illustration of the farm or agricultural product available for sale will help draw attention to the sign. For those who wish to advertise on a commercial billboard simply use the blue handout entitled "Commercial Billboard Companies in Virginia" to locate a firm in your area.

When consumers visit your farm, they want to see a clean, attractive, well-maintained farm operated under good management practices, provided with courteous clerks, easy to use parking facilities and a variety of fresh, high-quality agricultural products available for sale. A highway sign in poor condition, falling down or in need of paint does not reflect this image and could give the consumer a negative impression of your farm.

Therefore, highway signs should be composed of complementary colors, kept neat and well maintained. To assist you in selecting the appropriate colors in the design of your sign, you may wish to use the color combination chart on the pink handout. This lists the color combinations which were most easily read from a fast moving vehicle at a standardized distance. A complete listing of color combinations and legibility tests are available from "The Principals of Color Mixing" by J. H. Pustanoby, McGraw-Hill Book Company, New York, 1947.

As you look over this chart, you will notice twenty different color combinations. Seldom will anyone use all of the color combinations listed. Usually, some of the colors will have more practical application in a given situation than others. It is therefore a matter of judgement which ones to use.

Let's continue with the topics of "letter size versus visibility" and "number of words versus comprehension from a moving vehicle". Roadside signs must be legible to direct people to your market. Remember that letters should be made by using a line  $1/5$  as wide as letter height. For example, letters 11 inches in height should be  $2\ 1/4$  inches wide.

From the chart entitled "Visibility - Lettersize and Content of Roadside Market Signs" you will see that using 11 inch high block style print, the lettering is only visible up to 300 feet away. Likewise, motorists only have time to read 6 words at 60 miles per hour, when using seven inch letters. You can see that you must keep the message simple. Use only a few descriptive words such as vegetables, one half mile.

By using posted speed limits as a guide to speeds at which motorists travel on the road where your sign will be located you can determine correct letter height. You would simply take the posted speed limit, for example 40 miles per hour, look on the visibility chart previously mentioned, locate the column for 40 miles per hour and assuming you were designing a sign with five words, then you would know the letter height would need to be  $3\ 1/2$  inches. By using the other chart, called "Advanced

Sign Location for Various Speed Zones" locating 40 miles per hour, you would see that you need to place your signs 1/4 mile before the intersection or market. Caution: Do not place this sign on the right-of-way of state or county highways, but rather on your own property or private property with the permission of the landowner. At the end of the harvest season, it is recommended that you take down your signs to protect them from excessive weathering. If you are a seasonal operation and you desire to keep your signs up year-round, be sure to put a closed sign over them to indicate you are not open.

Up to now, we have been talking about two types of highway signs -- advertising and directional. Both of these are governed by state laws. Directional signs, those which direct people to your farm, may be exempt from state permit in a particular situation. Therefore, the rest of the speech will deal with directional highway signs.

Prior to this year, direct marketers could use signs of two square feet or less placed at a junction of two or more roads, denoting only the distance or direction of the place of business. These two square feet or less signs were exempt from state highway sign permits. If a direct marketer desired to use larger signs, then a permit was required. The Farmers Direct Marketing Association of Virginia and the Virginia Department of Agriculture and Consumer Services realized that directional signs of two square feet were not effective in directing consumers to the farm. Six weeks after the FDMAV first approached the Department of Agriculture on the situation, and working closely with the Department of Highways and Transportation, we announced a major breakthrough.

The Virginia Department of Highways and Transportation can now approve directional signs which advertise agricultural and/or horticultural products when such products are produced by the person who erects and maintains these signs. These signs must be of a reasonable size determined to be approximately 8 square feet or less which may be made up of various shapes or configurations such as the apple and the peach signs illustrated here. I may also note that if you do need additional space to accommodate a particular situation such as a long name, the sign may be larger.

But please, do not abuse this policy or get carried away with the size and quantity of signs placed along Virginia highways. Keep our highways and roads clean and beautiful. Remember! If we abuse this privilege, it could be taken away, so do not destroy it for others. Use good judgement and be conservative. To continue our strong working relationship between the agricultural industry and the Department of Highways and Transportation, there are a few recommendations that you should follow before erecting any signs.

1. Contact the nearest district office of the Department of Highways and Transportation by phone or letter stating the proposed location, size, shape and message to be placed on each sign, to be sure the sign location conforms to the section previously mentioned. The Highway Department will be more than happy to work with you on this matter. A list of district offices is available from the Virginia Department of Agriculture.



2. Not only should you check with the State Highway Department, but contact County and City zoning administrators about their local ordinances on highway signs. Some counties also require building permits or even electrical permits for signs requiring electricity.

What type of information may be printed on an exempt directional sign? Remember, these are not advertising signs, but directional signs for agricultural or horticultural products. Therefore the only information which will usually be permitted is: first and most important, be sure the sign has an agricultural or horticultural product printed on it or is designed like an agricultural product. Once you have met the first requirement which now exempts you from various state laws, be sure the sign indicates direction to your farm. Other information which may be placed on the sign after meeting those first two requirements are as follows: name of active farm, type of crops available, (be sure they are available when advertised so you are not accused of false advertising), an arrow to indicate direction, business hours, telephone number (please limit phone numbers to firewood signs only), pick-your-own information and other advertising which pertains to agricultural and horticultural products.

As previously mentioned, your signs must be placed on private property, not on the state right-of-ways. To determine where the right-of-ways of state highways exist, contact your district highway department. As a general rule, telephone poles are within the right-of-ways. Therefore, any directional sign should be beyond the telephone lines. When erecting signs, you must place them on their own support, do not affix directional signs to telephone poles, trees, rocks or any other present highway structure.

The regulations which pertain to interstate and federal aid primary highways are very strict. Usually signs along these highways are not permitted or are only permitted within 600 feet of the right-of-way. These restrictions also apply to the Blue Ridge Parkway and the Colonial Parkway, the Mount Vernon Boulevard or any other park area within the State of Virginia as well as public cemeteries, public parks, public playgrounds, national or state forests.

You are not permitted to place any signs which involve motion or rotation of any part of the structure or if it displays an intermittent light or lights within 100 feet of the nearest edge of the pavement of the highway. Also, do not use the words, "Stop" or "Danger" which can imply the need or requirement of stopping or imitate official highway signs. Do not erect signs which distract passing motorists by the use of flashing lights, loud or blatant noises or movable objects. Red, green, or amber lights or reflective type material which resembles traffic signal lights or traffic control signals are not permitted within visible distance of any highway.

These are only a few of the regulations which apply to directional highway signs. They are simply stated at this time to make you aware of the importance to contact your district highway department before erecting any highway sign. In this way, direct marketers will be able to avoid unnecessary removal of their signs.

At this time I would like to thank Mr. Cassell, Mr. Barrett and Mrs. Denton of the Virginia Department of Highways and Transportation for their work and assistance in increasing the signs to 8 square feet. I know it will be greatly appreciated and received by agricultural producers.

You now have the necessary information to design and properly locate your signs. Since customers directly relate the quality of your signs to the quality of your retail operation, you may want to have your signs made by a professional sign company. I therefore urge all of you to visit Norvell Sign Company's exhibit. They will be more than happy to assist you in designing and providing you with quality signs for your farm. I trust this information will help you in the future.

## WHY I DIVERSIFIED MY OPERATION

Rod Parker

Our location is about ten miles south of Washington D.C., we are in Maryland but just across the river from Virginia. We draw customers from Virginia as well as southern Maryland and D.C. Our county has about 750,000 residents, northern Virginia has around a million and a half, while D.C. has approximately 750,000. So, we have a large population to draw from.

We got started in the business almost by accident; our county agent suggested that we plant some vegetables, advertise them, and just see how things worked out. He had about ten acres in mind, this sounded like a lot to us since we had been considering something more on the size of a large garden. But, we started out with ten acres in 1975 and now we have around 650 acres of vegetables and small fruit. We really farm only 400 acres of land, but much of this is double-cropped.

We currently grow thirty five vegetable and small fruit crops, but no tree fruits (see figure 1). Some of our production is planned to accommodate tastes of ethnic groups living in our trade area.

We have also diversified our methods of marketing. Listed in the order of most preferred to least preferred methods, our marketing includes:

1. Pick-Your-Own
2. Retail market on the farm - This includes some items not grown on the farm, but no grocery items other than spices, jams, jellies and honey.
3. Retail off the farm - farmers' markets or tail-gate markets have been better than expected; we sold on four markets last summer and we'll be using five this year.
4. Wholesale on the farm - these are sales to other roadside marketers.
5. Wholesale to chain stores - these are good because they can really handle the volume.
6. Wholesale through commission brokers - if we can't find other outlets we resort to brokers.

The first three marketing methods on the list represent about 80% of our business.

These are the ways in which we diversified; the question which I am supposed to answer today is "Why did we diversify?" The answer to this is pretty self-evident, "...to maximize income".

Figure 1. Acreages of Crops Currently Grown at Parker Farms  
in Clinton, Maryland

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Small fruits (strawberries, raspberries, and blackberries)	45
Green peas and "Sugar Snaps"	35
Sweet corn (least profitable crop per acre grown)	70
Green beans	100
Cranberry beans (French Horticultural)	6
Lima beans (butterbeans)	35
Purple Hull and Blackeye peas	60
Squash (yellow, Zucchini and winter types)	100
Tomatoes, eggplant, peppers	20
Pumpkins	30
Greens (kale, rape, mustard, cress, collards)	60
Spinach	40
Cantaloupes and cucumbers	15
Broccoli, cauliflower, lettuce and cabbage	10
Beets, radish, onion and carrots	10
Tobacco (auction)	45
TOTAL	681

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There are both advantages and disadvantages to diversification. Advantages may include:

1. The larger number of sales outlets permits us to sell a larger volume of produce.
2. The various outlets can be used to supplement each other since demand may not be uniform on any one market throughout the season. Similarly, supply may not be completely uniform and flexibility in our use of wholesale markets allows us to plant large acreages to ensure adequate supplies for our primary (retail) markets while providing a generally profitable disposal when crop yields exceed retail demands. This leads to the single biggest advantage of market diversification - an ensured supply of top-quality produce for our P-Y-O and retail markets.
3. By diversifying our crops, we protect ourselves against adverse weather and other risks which might have greater effects upon certain crops or upon crops planted at certain times of year, etc.
4. Greater efficiency in use of equipment, energy and other farm resources may be gained by the increase in over-all size of the operation which is permitted by diversification in crops and markets.

Disadvantages of diversification:

1. More extensive planning is required to produce a large number of crops. Each crop has its own cultural requirements, pests, soil requirements, diseases, etc. You need to more carefully consider crop rotations and harvesting schedules.
2. Wholesale markets can be maintained only so long as they are adequately supplied. Using them to handle excess volumes from your P-Y-O and farm market can cause problems.

The sales force needs to be larger and more people must be trusted to handle money.

I hope some of the ideas from our operation on why we diversified will be helpful to you. I have enjoyed your conference.

## PRICING STRATEGIES FOR DIRECT MARKETING

James B. Bell

As more and more farmers in the state shift to direct marketing, competition between marketers has become acute and in a few areas the pricing situation has approached being chaotic. It is likely that pricing will be even more of a problem in the future as more farmers enter direct marketing. The purpose of this panel is to discuss some approaches and ideas that may be useful in dealing with our pricing problems.

Pricing problems can be divided into two areas of concern. The first is pricing problems which relate to how direct marketers compete with each other in a market area. For example, what affects the level of prices for all participants in the market area. The second concern relates to individual pricing problems. For example, what price should the individual direct marketer charge.

### Group Pricing Concerns

I would first like to talk about group pricing problems. Pricing problems in a market area are certainly not unique to direct marketers, but are common to virtually all retailers. Competition is, of course, an accepted element of the free enterprise system and I am not suggesting that competition should or could be done away with. I am suggesting that there are some ways that other retail competitors deal with competition. Some work. Some don't. Let's look at some of these and briefly look at their potential for direct marketers.

Price Collusion - Price collusion is where the sellers in a market agree to sell their products at mutually agreed upon prices. Collusion could be implemented through either a formal or informal structure. When direct marketers find themselves involved in price cutting situations, one of the first things that someone will suggest "should happen" is that all the sellers should just get together on prices. This may not, however, be a viable solution. First, it should be pointed out that collusion is illegal under most conditions. There are some exceptions for agricultural producers but, generally, collusion by retailers is illegal. Even if it were not, collusion is extremely difficult to enforce with all sellers in the market. Furthermore it would create bad public relations for direct marketers. Although this may be the first thought of many direct marketers, it is not one on which the industry should count to solve pricing problems.

Price Leader - In this market situation, a dominant seller sets his prices and others tend to follow this price either slightly above or slightly below depending upon their competitive position. A dominant seller may establish his position in the market due to size, market share or other factors that allow him to be in the price leadership position. Direct marketing price leaders do exist in many localities. For the price



leader situation to work there must be an acknowledged leader and others must be willing to follow this leader. Generally, this is not a situation that can be planned but is more often one that develops as competition works over time. Price stability based on the price leader concept may work very well for extended periods even though it is always subject to challenge by others in the market.

Enlightened Management - Rational behavior suggests that individual direct marketers will not plan to sell their products at prices where they do not make reasonable profits. The enlightened management situation suggests that all sellers in a market follow this basic premise and therefore individually set their prices so reasonable profits are maintained. This suggests that prices are based on cost of production, plus a reasonable profit. Enlightened management is a factor in many market situations, but as an only factor may not be too effective. First, its effectiveness is limited because many direct marketers do not know their cost of production and the cost of production may vary widely between producers. Finally, and most important, there is an individual incentive for sellers to continue selling when prices drop below the total cost of production. Much of an individual's costs are "sunk costs" by harvest time, and he has an incentive to keep selling as long as more than the harvest cost is recovered.

Non-Price Competition - In this market situation sellers in the market compete with each other on some basis other than price. Normally, this competition takes the form of advertising, promotion and services that may be offered by the sellers. Market participants competing through non-price competition tend to maintain fairly stable prices, but each attempts to gain an advantage in the market through the use of advertising and other non-price means. Retailers generally agree that non-price competition is more desirable than price competition. Competition by using advertising and promotion, for example, can be healthy for all market participants by increasing the total numbers of customers in the market. Non-price competition is not the answer to all pricing problems for direct marketers but there is little doubt that this form of competition is more desirable for the industry than most alternatives.

#### Individual Pricing Concerns

The second area relative to pricing with which direct marketers are involved is that of setting individual prices. There are several basic techniques which direct marketers may use in individually setting prices.

What the Traffic Will Bear - Direct marketers are often not in a position to employ this method of pricing, but even if they were, it would be a questionable pricing policy. At best, it would be a short-run policy since many of the customers would likely go elsewhere in the long run. Generally, it would foster poor public relations and is not encouraged.

Cost Plus Mark-up - Using a cost plus mark-up basis of pricing is consistent with the enlightened management concept. Here again, this suggests that the direct marketer knows his cost of production. Once costs

are known, then the desired mark-up, such as 20%, would be determined and the item would be increased the appropriate percentage to arrive at the retail price. This concept is used by many marketers in setting prices.

What Others Charge - This method of pricing is consistent with the price leader market situation as discussed earlier. Knowing the prices others charge is an inherent problem in using this method. Some marketers use selective visits to competing markets and a few participate in informal or formal pricing exchange arrangements to learn what others are charging. Using the "charging what others charge" basis for pricing provides an excellent opportunity for non-price competition. The marketer can follow prices of others and still attempt to gain a competitive advantage through the use of non-price services such as advertising, promotion and merchandising.

Wholesale Price - Many direct marketers look upon the wholesale price as the lower limit of their pricing range. Direct marketers should keep in mind that they provide retailing services and should expect to be rewarded for these services.

Retail Store Price - The retail store price is similar to the "what others charge" method of pricing. Getting reliable price information can be a problem. Selective store visits and checking newspaper ads can provide information on retail store prices in the area.

Direct marketers use no single one of the above techniques to arrive at selling prices, but in practice use some combination of methods. Some individuals may rely more on one method than another based on their situation, experiences and personal preferences. Furthermore, individuals may shift how they arrive at prices from time to time as their situation changes. There is no right or wrong method. Each marketer should look at pricing from several of these perspectives and use his judgement to arrive at a price that is most suitable in his situation.

FUTURE DIRECTIONS FOR DIRECT MARKETING

Morris S. Fabian

The coming decade and beyond should provide continuing profit making opportunities for those direct marketing operators who are alert to the environment and develop a strategy by which to navigate.

The purpose of this presentation is to (1) examine the industry's importance and present position, (2) provide a frame of reference for suggesting future directions, and (3) discuss some factors essential to future success for direct marketing operators.

Importance and Present Position of Direct Marketing

In the 1980-81 Annual Report to Congress by the Secretary of Agriculture as required by the Farmer-to-Consumer Direct Marketing Act of 1976 (P.L. 94-463), the following remarks were made regarding the "importance of direct marketing as highlighted by new concerns."

The (1974 and) 1979 energy crises

"called attention to the Nation's reliance on petroleum in producing and transporting agricultural products and increased the importance of exploring alternative farming and marketing methods to help reduce energy consumption. Energy constraints, technology limitations, and water shortages also pointed out the need to conserve the most productive farmland and the potential advantages of increased local food production.

"The U.S. agriculture/food system that has evolved since World War II was built on the availability of abundant, low-cost energy. Today's system has fewer but larger farms and less diverse production patterns, is losing 3 to 5 million acres of prime and other farmland annually to nonagricultural uses, and depends on a nationwide transportation network fueled largely by foreign oil.

"In some regions, especially the Northeast, people are becoming more and more concerned about the extreme reliance on other regions or countries for most of their food and the resulting possibility of disruption of food supplies. This concern was amplified in mid-1979 by the oil crunch and truckers' strikes."

"Although not all types of farm foods can be grown in each region or area, the opportunity exists for some greater degree of

local food independence by encouragement of direct marketing. (Through)...farmer-to-consumer direct marketing increases, small-volume producers may be persuaded to keep their land and/or increase production. Not only...(can)...farm income be improved and consumers be provided with fresher, lower cost food, but dependence on out-of-region food sources and on long-distance transportation may be reduced" (1980-81 Annual Report to Congress).

As a result of the 1976 Farmer-to-Consumer Direct Marketing Act, surveys of the direct marketing industry were made in 22 selected states between 1978 and 1980. Of these states, Michigan with 23,525 farmers selling some portion of their agricultural products directly to consumers was found to be largest in number. This number represented 36 percent of the total farmers in Michigan. New Jersey had the highest proportion of farmers (68.5%) selling direct. New York State had the greatest amount of direct marketing sales (\$86 million). The Southern New England area including Massachusetts, Connecticut and Rhode Island reported the highest proportion of cash receipts from farm marketings being sold directly - 11%. In total, within the 22 states, 126,284 or about 11 percent of the total number of farmers sold \$645 million or 1.5 percent of total cash receipts from all farm marketings. The average sales per farm were \$5,100. This, of course, does not include the goodly amount of buy and sell activity in which many direct marketing operators engage. For example, in New Jersey the U.S.D.A. survey of direct marketing farmer-to-consumer sales is shown for 1978 to have been \$28 million. When purchased products are included, a very conservative estimate of total dollar activity for 1978 would be nearly \$60 million. This figure was estimated using earlier published data and certain assumptions. This provides an \$11,532 average sales per farm rather than the \$5,300 average shown in the 1978 survey.

The U.S.D.A. survey showed direct marketing to be important for a number of states in terms of the number of farmers who receive a portion of their income from retailing. While nationwide the amount of cash receipts (1.5-2%) is very small for direct marketing of farmer produce, the economic activity and net returns to those growers involved should not be underestimated. Using U.S.D.A. figures, it may be conservatively estimated that throughout the nation there are up to 200,000 farmers selling a portion of their farm products directly (126,000 in 22 states). Using a \$5,000 average sales figure per farm would bring the nationwide sales from direct marketing to \$1 billion dollars (\$645 million in 22 states). Being conservative again and estimating that home-grown products amount to half of what direct market operators sell, then the volume of sales increases to \$2 billion.

Direct marketing and its complementary sales activity plays an important role in helping economically to retain agricultural lands in and near rapidly urbanizing areas.

A review of literature provides an indication of the growth in interest in direct marketing throughout the nation. While the literature is diverse and vast, government and university bulletin and circular type publications oriented toward operators have shown an interesting trend from

1920 through the present. Each of the succeeding time periods indicate a doubling in the number of publications. Interest in direct marketing in the 60's doubled over the 50's and in the 70's it would have appeared in 1975 to have more than doubled over the 60's. In fact, there was an information explosion with an increase of 7.5 times in the 70's over the 60's or 5 times in the period of 1976-80 over 1970-75.

TABLE 2. APPROXIMATE NUMBER OF GOVERNMENT AND UNIVERSITY DIRECT MARKETING BULLETINS, CIRCULARS, AND CONFERENCE PROCEEDINGS, UNITED STATES, 1920-80

Time period	Number of publications
Before 1949	10
1950-59	20
1960-69	40
1970-75	50
1976-80	250
TOTAL	370

Another indicator of interest in the direct marketing industry is the number of roadside and direct marketing conferences. Ohio State University began its annual event in 1960. In New Jersey, Pennsylvania, Maryland, Indiana, New York, and several other states, universities and agencies since the mid 60's have had annual or periodic state or area-wide conferences. In recent years, the Ohio conference has been extended to a three-day event drawing some 500-700 interested persons from around the nation and from other countries. Since the late 60's, the New York-New England Apple Institute has held annual two-day, in depth marketing workshops for apple growers and others. More recently, other states including Virginia, Oregon/Washington, and several in New England have sponsored direct marketing conferences.

Still another indicator of activity in direct marketing is the renewed interest in marketing associations. Approximately twenty such associations were started in the 20's-50's. These organizations were begun to publicize that members were bona fide farm roadside marketers operating within association standards and not fly-by-night operators masquerading as farmers. Only the most progressive operators accepted the concept of improving the industry through these organizations. Lack of member enthusiasm, geographic location, and activity coordination gradually led to a disbanding of most groups. In 1965 active organizations were to be found in New Jersey, Massachusetts, and Michigan. Since 1965 numerous other states have started associations including Connecticut, Indiana, Maryland, North Carolina, Ohio, Pennsylvania, Wisconsin, Virginia, and New York,

indicating a surge in interest of operators joining for the mutual benefit of members and in an effort to upgrade the industry.

The explosion in direct marketing literature, some of the increase in the number of conferences, several new state direct marketing associations, numerous new farmers' markets, and much other educational and promotion activity can be attributed to The Farmer-to-Consumer Direct Marketing Act of 1976.

TABLE 3. DIRECT MARKETING PLANS FOR NEXT 5 YEARS

Intents for selling direct to consumer	9 states 1979	7 states 1980
	----- % of operators	
increase	28	16
about the same	38	55
reduce	15	14
undecided	20	15
no. of operators	43,805	20,786
value of sales	\$260 mil.	\$126 mil.

Compiled from 1980-81 Annual Report to Congress

"Considerable variations occurred among States with respect to farmers' direct-marketing intentions over the next five years. A significantly higher percentage of farmers in Northern New England and Texas indicated they would increase their direct sales to consumers than for those in other States. In contrast, a significantly higher percentage of Missouri's direct-marketing farmers intended to decrease direct selling than was found for other States. Similar variations in planning direct-marketing activities was observed among farmers employing various methods of direct selling. Those utilizing pick-your-own, roadside markets and farmers' markets were more likely to increase direct sales to consumers than those using other methods. Those selling direct to consumers from a farm building were the least likely to change. Assuming those farmers who were undecided on plans for the next five years at the time of the survey follow plans proportionate to those who indicated definite plans, direct sales to consumers by farmers in these States are likely to increase during the next five years" (1980-81 Annual Report to Congress).

"Data from New Jersey case studies covering farmers' direct-marketing operations ranging from approximately 5 acres to 140 acres of vegetables shows that there are economies of scale in selling directly to consumers.



Net returns over selling costs ranged from around \$200 for the smallest operation to almost \$1,700 per acre for the largest. This study also showed that direct marketers operating roadside markets can further enhance the net returns for their own production by extending their marketing season and further spreading operating costs of the roadside market over items purchased from other farmers and regular wholesalers for resale.

"Data from the New Jersey study and case studies from other States shows that returns over marketing costs for fruits and vegetables can be almost twice as profitable for farmers as selling to conventional wholesale buyers. This is possible especially for efficient operations that have sufficient volume to obtain efficiencies and cost savings in the direct selling operation. Net returns per acre over marketing cost were greater when selling to conventional wholesale buyers for the smallest operation. However, small operators do not as a general rule have the volume of production to meet the wholesale buyer's needs.

"Case studies of relatively small integrated livestock operations--farmer-owned from production through slaughter and retail, and non-farm-owned from slaughter to retail--showed that farmers selling directly to consumers through the integrated operations obtained additional income of \$50 per head for cattle and \$20 per head for hogs as compared to selling through conventional outlets such as local auction markets. Moreover, consumers saved about 15 percent on their meat purchases from the integrated operations as compared to supermarkets. Some farmers also sell live cattle and hogs directly to consumers. They, in turn, have them slaughtered and processed at local slaughter-processing plants such as the integrated plants included in the case studies that also provided custom service to farmers and consumers. In such transactions, consumer savings are similar to those found for direct purchase of the meat products. Farmers also benefit but to a lesser extent than those who provide slaughter and processing services. It is estimated that farmers would receive about \$15 to \$16 more per head for cattle and \$3.00 to \$3.50 more per head for hogs for live animals sold directly than they would receive if sales were made through livestock auction markets. These gains are obtained through savings of auction charges and transportation costs" (1980-81 Annual Report to Congress).

#### Environmental and Macro Economic Considerations

With little certainty can we say for sure what the next decade holds in store for the economy in absolute terms. However, by considering macro parameters and trends, alternative scenarios may be constructed which in turn may be useful for purposes of helping to direct one's allocation of resources or in other words developing a strategy for the future.

Some key economic indicators: (N.Y. Times - February 28, 1982)

Real G.N.P. Growth (annual rate, 1972 \$, in %)		
IV Q '81	III Q '81	Year Ago
-4.7	+1.4	+3.8

C.P.I. (in percent)

January '82	3 mos.	12 mos.
3.5	3.8	8.4

Moderate rate is expected until at least mid-year

Employment

January '82	December '81	Year Ago
99,581,000	99,613,000	99,901,000

down 320,000

Unemployment Rate (in percent)

January '82	December '81	Year Ago
8.5	8.8	7.4

Money Supply Growth (M-1, annual percent change)

3 mos.	6 mos.	12 mos.
11.7	8.1	7.0

Prime Interest Rate (most major banks in percent)

Last week	Prior week	Year Ago
16.50	17.00	19.00

In formulating strategies for business in the 1980's, an issue that inevitably arises is inflation. In the February 28 New York Times, L. S. Prussia, Chairman of the Bank of America, indicates "it has nurtured a strong psycholological bias of expectations that inflation will continue. The combination of past, actual, and expected inflation has influenced all economic decisions either to minimize the impact - or better yet - to take advantage of continued inflation.

"Rampant inflation also has encouraged the increased use of debt to take advantage of rising price, and this has fostered considerably greater use of leverage in financial relationships.

"Inflationary forces already have slowed sharply in some areas as a result of restrictive monetary policies, reduced levels of government activity and the recession. The world of shortages of the 1970's based on oil cartels, and failures and accelerated economic growth is gone now."

Prices received by farmers throughout the nation from January through December 1981 fell by 10%.

"Industrial raw-material prices are an obvious example. Over the last 15 months they declined an average of 20 to 30 percent. Oil is down.

Other markets -- residential housing, for example -- have shown some cracks, too, as the former inflationary trend has failed to be validated

"These developments raise certain questions that are highly relevant to...strategy...management.

- What if the wave of the 1980's turns out to be deflation, not inflation?
- How are we positioned to deal with a drop in housing prices rather than a rise?
- What effect would a decline in inflation have on the bond market? What would be the impact on the management of securities portfolios?
- How much deflation will we be willing to take if it proves to be harder to manage than inflation?
- Will we let destruction of real values become cumulative?

"Financial institutions - and business in general - have tended to base their strategic planning on the assumption that inflation will continue. Such an assumption raises serious questions about how well equipped we are to deal with a period of low inflation, or even deflation."

The January '82 Progressive Grocer, an article entitled Battling Against the Economic Times: "continuing high inflation and rising unemployment are factors causing a spending bind." "People just aren't buying like they use to." "They seem to be postponing purchases or buying less." There is consumer demand for one-stop shopping. "The fact that nearly 50% of married women are working outside of the home underlines the importance of shopping convenience. Continued high gasoline prices also work toward customer preference for concentrated shopping."

Interviews with top level executives of six major retail food organizations were conducted by The Packer as to "Produce in the 1980's" and reported in The Packer's "Focus on the '80's", December 1980.

"All top management officials predicted the current wave of consumer interest in freshness and nutrition will continue into the 1980's, with benefits for the fresh produce industry. They also said sales of floral items and "exotic" fruits and vegetables will greatly increase during the next 10 years.

"The biggest problem facing supermarkets in the 1980's is the high cost of doing business in an inflationary environment, they said...

"Working women may influence the nature of purchases in the produce departments, depending more on fruits and melons than in the past, "but maybe not cooking as many different types of vegetables than in the past...Those vegetables that are eaten raw will have more play."

"With a larger percentage of the population very weight conscious, green items in particular will show large increases in sales in the 80's. Exotic items also will be more popular.

"With the makeup of the American household changing, more men are in the kitchen, and men will often try some exotic cooking that women won't.

"Consumers will be more demanding of good quality and shelf life in the years ahead. For example, when lettuce was 25 cents per head, consumers were not concerned that it lasted only two or three days. But at 79 cents per head, they are very concerned."

"Availability of quality produce will be" of concern in the next decade.

"The high cost of investment and money, high construction costs" are problems. Costs of utilities, labor and equipment continue to increase.

"At the same time, consumers are suffering the effects of inflation. This means a highly selective consumer in a very competitive market place."

The executives were very optimistic about the outlook for flower and plant sales. "Floral departments will have 'unlimited potential' for growth...The 'ability to manage' the departments will be the major problem."

The retail executives for the most part felt that packaging would not play a greater role for produce in the 1980's.

While consumer preference is toward bulk and consumer preference is where you have to start, several executives pointed to the cost of distribution as being a reason why there could be more packaging.

Scanning and electronic checkouts will increase in the next decade."

Considering the various economic issues facing us in the 1980's, one may easily develop a pessimistic outlook for the 80's. But the retail executives were very optimistic and anxious to meet the challenges ahead.

#### Increased Interest in Natural Foods

(From The Packer 1/30/82)

"Thousands of retailers, wholesalers and suppliers are to converge at the Anaheim, California Convention Center on March 28-30 for the Natural Foods Expo '82, the business conference and trade exhibition designed to help upgrade the professional skills of natural-foods retailers. Last year 3,500 industry members from across the country attended the conference, also sponsored by Natural Foods Merchandiser magazine. More than 25 business seminars, at least 20 retail roundtable discussions, and 350 exhibit booths...will be offered. "Topics will include store design, inventory management, employee training, conducting demonstrations and more. An intensive nutritional symposium will be another feature

attraction. Six of the nation's most acclaimed nutrition researchers and practitioners will gather for a three-hour discussion of the latest nutrition issues. Preregistration fee \$25 on-site \$30." Perhaps there should be a "National Direct Marketing Expo."

#### There Will be an Increasing Use of Computers

"Close to a half-a-million farmers will buy computers in the next five years. Even if it's only half that many, chances are good you'll face the decision. That's the opinion of farm computer expert, Bob Harris," Harris Technical Services, Lincoln, Nebraska. The mid-February 1982 Farm Journal "Fingertip Farming: A Special Report" included your computer options; How to tell if you are ready; What you should know before you buy; Computer buying checklist; A brief dictionary of Computer terms; How to buy software; setting up your computer.

In the February 6, 1982 issue of The Packer, an article on the Videotex System (IAA) indicated "A wider range of information needed to make day-to-day agricultural decisions in pest management, weed control, irrigation scheduling and many other problems" will be provided through the videotex system which is going on line in Maryland and Kentucky.

"U.S.D.A.'s AMS has installed special equipment to provide a wide range of marketing information to tapes as they become involved in the system.

"The state extension service will distribute the information to the county host computers" which in turn will provide for access by growers.

"The extension equipment now being installed can answer 16 calls at the same time, with each user on-line only about 1.5 minutes. The grower uses a special low-cost terminal or home computer that connects between his television receiver and telephone line."

What is the message for direct marketing operators from these economic data and environmental observations and considerations?

Because the direct marketing operator tends to be more of a price maker rather than a price taker and because direct marketers are providing food products which are important to life itself, inflation or deflation in terms of cash flow may not be as much of a problem as for other entrepreneurs. But be cautious of copying someone who may have been successful in the 60's or 70's. A person who built a \$50,000 market during the boom years probably has a facility worth many times more today. Financing costs have been paid off in cheaper dollars. This kind of success may not repeat itself in the coming decade.

Consumer demand for fresh nutritious grown farm products has encouraged the development and growth of farmer-to-consumer direct marketing outlets. With increasing transportation costs, the importance of locally grown fruits and vegetables becomes more and more a common topic for discussion among Northeastern retailers and producers.

Over the past 10-15 years, as direct marketing has become more popular with consumers, supermarkets and other retailers have been noting successful farmer retail ventures. Articles in the Supermarket News of September 7 and 14, 1981 carried these headings - "Pa. Retailers Debating Farmers' Markets Impact" and "Initial Farmer's Market for Safeway Opens in Va."

It appears that non-farm retailers are keeping an eye on the direct marketing industry and picking up ideas which can be used to their advantage.

Competition will be even keener for direct marketing operators in the years ahead. However, direct marketing seems like a bright spot on the horizon. But while providing opportunities for farmers, it will require good management, imaginative merchandising, a sensitivity to customer needs, and a farm atmosphere uniquely providing customers something different from that of competition.



## PLANNING FOR A PROFIT

Chapman L. Huffman

As we plan for profit in our farm business, we have to consider where we have been and what plans we have for the future. Each plan should be written down because this gives us a chance to review and analyze the thoughts that we have in the plan, to edit the plan, and to make penciled adjustments. Another thing a written plan does is give us an opportunity for a "trial run". As it was said, "if it won't work on paper then its chances for success are very slim".

I heard a good farm manager say that he needed to make three written plans. One plan would be developed on what he normally expects to happen. Then he would develop a plan for what could be the best thing to happen. A third plan would be for the worst that he could normally expect to happen. I think his idea is great because with that scope we have a feel for the amount of variability that our operations, regardless of whether it is a pick-your-own, an orchard, or a direct market through a fruit stand, may be.

The area of knowing "where I've been" should include a documentation of past performance. Records of cash income, expenses, yields, field records (on weather history, insects, diseases, etc.), marketing, or other records can form a very complete history of the operation. From your records we should be able to develop an operating statement and a net worth financial statement. These two documents are useful in determining where you've been and what progress you've made during the year. In general, record systems need to be developed to meet your needs and management style. The format should be workable and only as complex as necessary to serve your business needs. It is much better to have a simple set of records that is used completely, than a complex set which is never used. Use your own judgement because each operation and its management will have different needs.

Records must be posted on a timely basis if accuracy is to be obtained. The longer the time span between the transaction or activity and the act of writing it down, the less accuracy you will have. A good, orderly filing system is a key to simple record keeping and it helps to ease the posting problem.

Record systems should be formulated so that monthly reports can be made available to the manager. These reports provide information on cash management and on what type of debt structure would be required for operating loans throughout the year. Record systems should also provide an opportunity for enterprise accounting. By enterprise accounting we mean keeping separate records of costs and receipts for each phase or enterprise in the operation.

The operating statement is a very important tool and should be done with accuracy and completeness for the overall operation. The "F Schedule"

from I.R.S. is a form of operating statement and, unfortunately, many times this is the only operating statement available for an agriculture production enterprise. A good operating statement would be more comprehensive than a tax schedule. You should also have a small operating statement for each of the major enterprises - marketing may be an enterprise depending on your operation.

From your operating statement, you can calculate the percentage of gross receipts generated by each enterprise, the relative cost for each enterprise, etc. If we know which are the high expense enterprises and improve their management, we are likely to have greater effects upon the entire operation than if we concentrate on the lower expense enterprises; the operating statement helps us decide where we can do the most good for our business.

An analysis of each enterprise should be developed. What I mean by an analysis is a breakdown to see what profits and losses each enterprise contributes to the overall operation. If an enterprise had a loss, was this loss expected? An enterprise may be undertaken for support of the total operation and it may not in itself make money; but, you should know how much this support enterprise is costing you. If we look at enterprises in a small operation as though they were divisions of a large company, I think that we could keep a pretty good perspective. Each enterprise should pull its own weight unless it has a support role. In other words, you may have a certain type of product that you know is not profitable but it attracts customers which then become buyers for profitable enterprises. This would be the type of analysis that you should use to see what each enterprise is costing and how much profit it may contribute to the overall operation.

We also need to look at the operating statement for cash flow implications. Many times where there is a shortage of cash, the short term debts and open accounts will increase during the year; this is a sign that the enterprise or the operation may not be as profitable as one would expect.

With good records on cash flow, you may be able to use monthly surpluses of cash to take advantage of the attractive investment possibilities currently offered by financial institutions; you should have your money working for you at all times.

Another area that you need to look at is the financial statement (or as many of you may refer to it, the net worth statement) to see if your net worth has increased during the year. In doing this, you should also examine your assets and liabilities by classes, i.e., the current, readily available assets and liabilities, the intermediate, and the fixed. Ask yourself, "Was the net worth increase that I had during the year tied up in land inflation?" Land inflation is real but its effect is primarily on paper. That is, you can spend this increase in net worth only by disposing of the land. Net worth increases due to land inflation are primarily reflecting the state of the economy, not your management ability.

In finishing the history of your business, it is important that you write down thoughts and observations that occur to you during the year. Many things can be reflected in numerical records, but there are also things which are not so easily determined from such records. For example, did you have certain times in the year when labor, land or some other resources could have been more fully utilized to make the entire operation more profitable? Were there potential markets that you should try to tap in the future? Finally, in the self-appraisal, you need to give your own general appraisal of what you did. No one is in a better position than you to know your strengths and misgivings. You must be very objective with yourself, this can be difficult, but, it is important that you continually evaluate your own performance and ability.

All this record keeping, analysis, and appraisal tells us where we've been, and it should help us make plans for the future. First, we need to look at long range plans and take major, long-term proposals (e.g., land purchases, building programs, market expansions, estate planning for the owners, etc.) into consideration. The next level of planning should be one that covers a five to seven year time span; this plan should contribute to the long range plan and be consistent with it. In the five to seven year plan we need to consider enterprise size, machinery and equipment purchases, and building projects with five to seven year lengths of life.

The annual plan on: how many acres to grow of each crop; the amount of production inputs to be dedicated to each enterprise; marketing and advertising plans; the credit needs for the coming year; each decision in the annual plan should contribute to both short and long range goals that you have set for the business. Many operators have been in business for a number of years and have the advantage of prior experience, but new operators and established operators who are considering an entirely new enterprise do not have this luxury. New operators and established operators going into new enterprises must look for other sources of information to use in formulating plans.

Budgets are the basic units for planning any enterprise. Budgets fall into two general classifications; one is the partial budget and the second is a complete enterprise budget.

The partial budget is used to change levels of production when many of the resources are going to stay fixed. In a partial budget we are only concerned about evaluating items that would change if we switched from one enterprise or one level of production to another. We look at the added receipts, the reduced cost, the reduced receipts and the added cost. Let me give an example to illustrate the point. In debating whether or not to reduce strawberry acreage and increase raspberry acreage you would: (1) estimate new receipts which the raspberries would generate, (2) estimate the loss of receipts from strawberry sales on the acreage being switched to raspberries, (3) estimate the cost reductions caused by not planting strawberries, and (4) look at the increased costs associated with producing the raspberries. If the added receipts from growing raspberries and reduced costs from not growing strawberries total is greater than the reduced receipts from the smaller strawberry acreage and added costs from growing more raspberries, then we would find it to be a desirable change.

In the partial budget we would find whether raspberries would be a better alternative than stawberries, but the analysis does not tell us whether either of these would be profitable or not.

The second type of budget is the enterprise budget. The enterprise budget lists the incomes and the expenses (including both the variable and the fixed expenses) for a given enterprise. The format of this enterprise budget will vary depending upon the manager's choice but generally it can be used to come up with a net return per unit of input (e.g., per acre/per dollar or some other unit of measure) or per unit of product for the enterprise. The enterprise budget can thus give us an indication of the total profitability for each enterprise and it can tell us the effects which changes in price or productivity may have.

Another type of budget is called a whole farm budget. This is simply an extension of the individual enterprise budgets where all the enterprises in a given operation are added together to come up with an overall budget for the operation. This would be a summary similar to the annual operating statement. The whole farm budget is useful in projecting costs and returns on the entire operation; it gives you a means of anticipating your cash position and how much debt your operation will incur during the year. Many times the whole farm budget is constructed on an annual basis, however, breaking it down on a monthly or quarterly basis will allow you to look at the cash flow situation during the year. This is important since you may have expenses coming at one time and the returns at another time. You may need to arrange loans ahead of time or pre-plan your repayment schedules so that operating funds are available when you need them.

In summary, I would say that a good manager does not depend solely on luck for his business success. Sure, each of us knows people who always seem to be "in the right place at the right time", but appearances can be deceiving. Those who appear to be "lucky" have usually done some planning to be sure that they are at the right place at the right time.

## PLANNING YOUR BUSINESS

Robert A. Villenave

In 1959 I was a lieutenant junior grade in the US Navy assigned to the USS George Washington undergoing construction in the shipyard. At the weekly after-lunch conference all officers related their respective departmental problem areas to the Captain and their problems were enormous. It finally got around to my turn, and having been on board only three days, I really hadn't identified any problems of a magnitude equal to the other officers, so I calmly relayed that information to the Captain. I will never forget his reply..."Damn it, you don't have the big picture, when you come back next week, I want some problems". Well, next week I had problems and I could cry just as loud and long as the rest. The Captain had taught me a lesson...when things look good, it isn't always correct that things are good, it might be that you just don't have "the big picture".

One of the major objectives in planning your business should be to get the "big picture", not just of today's problems and present conditions, but where you'd like to be in five or ten years. Visualize what you want your business to look like in five years and then work backward to imagine what it will look like in all the intervening years. Look at it realistically and plan how to make each of those successive changes take place. It may not be as difficult as you think. The alternative is to let destiny play the major role and to take the consequences; in which case, it may be better to consider working for someone else.

But, regarding my own situation, we (my wife and I) own and operate 14,000 square feet of greenhouses in Chesapeake, Virginia. We're located on a well traveled rural highway within one mile of expanding subdivisions in both Virginia Beach and Chesapeake. I'd like to tell you briefly how we got started in our business, where we are today, and where we expect to go in the future. I'll also explain some of the rationale behind our business decisions and why we took our present route.

We got into the greenhouse business as a sideline to our pick-your-own (PYO) strawberry and vegetable business. We started out very small and, in retrospect, this saved us a lot of headaches. Our small beginning gave us an opportunity to meet suppliers and customers, to visit Park Seed Company and VPI Field Trials at Blacksburg and Virginia Beach, and to meet vendor representatives at the trade shows. We also subscribed to Ball Grower Talks, joined the Bedding Plants Institute, and obtained seed and supplies catalogues from all the major companies. We learned to talk the language.

We sifted through all the information we had accumulated, and finally wrote down the pros and cons to determine which direction we should take. We considered whether to expand our PYO operations or switch over to the greenhouse business. Considerations which led us to the greenhouse route include:



1. We didn't own, nor could we lease on a long-term basis, sufficient land in a central location. This meant (a) hauling equipment from field to field over busy highways, (b) excessive non-productive transit time, (c) security risks, and (d) general inconvenience. In addition, the PYO customer always seemed to get lost between fields and there was a continuing risk of customers leaving without paying. In short, we felt a central location necessary for PYO operations.

2. The PYO strawberry market in Tidewater is very competitive. For the large grower who has several hundred acres of field crops, forty or fifty acres of PYO strawberries may be justifiable for their ability to generate early spring cash flow even though they may be generating little or no net profit. Meanwhile, the small grower starves to death. Using figures obtained from a study conducted by the University of Illinois and published in the November 1981 issue of the American Vegetable Grower, 96 acres of PYO strawberries will meet the demands of one million people. In Tidewater, we have over 200 acres of PYO strawberries available to one million people.

3. According to VPI Publication 898 dated January 1982, the approximate cost of producing one pound of strawberries is 27 and one half cents. In 1981, the Tidewater PYO customer could pick his berries for between 28 and 40 cents per pound. We sold ours for 40 cents per pound and were picked clean because we were close in, we had good berries and, most importantly, because we asked for 40 cents per pound. We had very few complaints about price. Norm Lambert, a salesman for Ball Seed Company whom some of you may know, once told me that if ten per cent of your customers don't complain about price, your price is too low. I have to agree with him.

4. The last important consideration was the building of housing developments within one mile. This has pushed up land values and increased the costs for leasing or owning agricultural land. Land too expensive for PYO operations would not be too expensive for greenhouse or garden center use.

Considering the above and a thousand other things, we decided to phase out the PYO business while getting into the greenhouse business. We decided to make these changes over several years in order to maintain earnings at a nearly constant level and in order to avoid or minimize the need for high interest rate loans.

Using a target of \$15,000 as our minimum profit level, and assuming 15% return on gross sales, we needed a physical plant large enough to produce \$100,000 worth of saleable plants. Using a figure of \$10 of sales per square foot of bench space, we needed 10,000 square feet of bench space. Allowing 18% of greenhouse space for aisles, walkways, and working area, we needed 12,200 square feet of greenhouse space to achieve production required for our target profit level. At \$2 per square foot construction of the facility would cost \$24,400. In addition, we would need about \$10,000 for electrical service, well, water system, delivery vehicles, and other small tools and equipment. Another \$10,000 would be required to cover costs until we could realize some cash flow. These cost



estimates totaled \$44,400. This amount would be difficult to borrow without some sort of track record in the business. So, we decided to phase-in the greenhouse business and to phase out of the PYO business over a four year period. This worked real well for us. We built up slowly, established good rapport with our customers, good credit with our suppliers, and we learned an awful lot about growing and selling plants. In retrospect, it was the best way for us to go.

We can, in 1982, review our original plans with some satisfaction. Our original estimates were conservative and we've done much better than we anticipated. We now face a consolidation period (a breather) in which we intend to concentrate on efficiency and productivity. If we can keep our costs fairly constant, increasing productivity 20 percent will increase our profit by nearly 50 percent. This 20 percent is within reason since many growers report production of as much as 14 dollars per square foot of greenhouse bench space.

Of course, one can be almost certain that he will change plans as he goes along. Such changes may relate to new opportunities, the economic situation, health reasons, or to loss of enthusiasm for hard work, etc. We have even planned to change plans; in 1984 and 1985, we will decide whether or not to double our present capacity. This decision will be based upon our assessment of needs for dependable, knowledgeable, full-time help. If we decide to hire such help, we are going to demand high performance and we will expect to pay a commensurate wage. Another 20,000 square feet of space will probably generate the revenue required to pay this wage while maintaining our desired net profit levels. Availability of such competent help will permit me to take more time off and to spend more time in planning and management of the business.

In 1988 and 1990 we want to put in a garden center. We now sell 9.7% of our products retail. This year a new "Chesapeake Farmers Market" is opening only a quarter mile from our place; 90% of their traffic will go by our greenhouse. We expect to double our retail sales in 1983. We also expect to have a landscaping capability in 1990, and we're considering the prospects for a combination garden center and country store. But, we don't have any plans for getting into the florists' part of the flower business. We'll leave that to the experts.

In summary, I've explained how and why we got out of the PYO business and into the greenhouse business. We feel that we were very successful in the PYO business and will be equally successful in our present venture. I hope that I can come back here in 1990 and report to you that things went just as we planned and show you my next ten year plan.

I hope I have encouraged you to evaluate your present business, determine if you're happy with it, and then decide what has to be done. When making a business decision, I like to imagine that my plans will be subject to review by a Board of Directors. This way, I try to have justification for each decision and I'm not swayed by personal preferences or emotions. I also try to remember three words which represent what you do when you make and implement business decisions --- RISK --- EFFORT --- GAIN --- all three are involved and each impacts upon the others. And

remember, when you think things are all rosy, sit back and ask yourself "Do I have the BIG PICTURE???????"

I am sure you will.

## HOW I MAINTAIN QUALITY MUM PRODUCTION

Connie Hoyes

I got into business in a way which is different from that which some of you have taken. My planning methods may also be different from some which have been discussed today.

After college, I worked as assistant manager of a flower shop for a few years, but then I decided to move back into Virginia and participate in the family farming operation. One evening, after a couple of years of growing tobacco, I reached the conclusion that I should start a business of my own to increase both my income and career satisfaction. In a matter of a few hours I decided that chrysanthemums might be the crop to grow. By the next afternoon, I had placed an order for plant materials, I had formulated my planting plans and I knew what I was going to do.

Raising tobacco is not a whole lot different from raising mums so we decided that rather than sucker tobacco we'd pinch mums and we'd make those "suckers" grow. So that's what we did.

We set 1500 slips with the tobacco transplanter in one evening after finishing the day's tobacco work. In fact we set the mums right in the same field as the tobacco and used the same equipment to tend both crops. About the only difference in our care of these crops was that we pinched shoot tips from the mums and pulled suckers off the tobacco.

This set-up allowed me to avoid most of the normal overhead expenses since land, equipment, and irrigation were already available.

The mums took almost all my free time after the tobacco work each day. In fact, I pinched my first crop of mums by flashlight.

That first crop grew well but marketing of field-grown dug plants proved to have some problems. Most of the sales outlets failed to follow my watering instructions and since we left many of the roots in the field, wilting was a major problem.

The next year I grew part of the plants in the field and part of them in pots. The potted plants didn't have the qualities I was aiming for, so I discontinued that effort. But, the third year, I sunk potted plants in trenches in the field. They required more irrigation, and weeds were more difficult to control, but plant quality was better than when we used pots above the ground. The plants' abilities to survive after harvest were so much better than dug plants that we knew this was definitely the way to go.

Our mum sales are mostly wholesale, but direct marketing forms a real part of our profit picture. Primarily, this relates to marketing plants which are not quite up to the qualities required by our wholesale channels.

I decided to place a large display of these "cull" plants next to my mailbox and tack up a 99 cents per plant sign. People were running off the road and coming back to see what the display was. Some people were taking dozens at a time! Later in the season we charged a lower price (\$10 per dozen) for quantity purchases. We found that we could sell from one-thousand to two thousand plants this way every fall. This represents the cream to me, because these were plants that I had been throwing in the dump.

Our operation has grown considerably since I decided to buy my first 1500 slips and laid out my year's plan in less than 24 hours. I didn't anticipate that I would eventually be buying two farms for a mum operation, that I'd no longer be using my father's tractors and irrigation equipment, or that I'd be buying my own equipment and paying my own way. But, it has turned out that way.

The operation has turned out to be a profitable endeavor and one that requires a lot more time and work for planning during the winter months. I'm not suggesting that anyone else should get into business the way I did, but it has been a good experience for me. From my experiences, I think that you've got to be willing to make changes in your operation, you should be alert for new marketing opportunities, and you have to be willing to persevere.

## PLANNING YOUR BUSINESS

Norman T. Applegate

There is no textbook approach for running our kind of business, rather we use our experience in directing our business to meet the needs of our customers.

I have always had a keen interest in accounting and record keeping. This probably stems from my early years in the business, when I was working for my dad. My dad was a very good horticulturist but just a so-so businessman. Record keeping, inventories and cash flow analysis were my early contribution to the business. Today the cash flow statement, annual budget, balance sheet and net worth statement, detailed production records and monthly profit or loss statements are my most important work in the business. We adopted these financial tools as they became needed to solve the problems of our growing business. Today we use all this information to plan our business and to maximize our success. Producers in our hurry-up, fast-paced, growing, urban community who do not use these financial tools are marginal operators or have gone out of business.

Most small businesses emphasize work and production rather than financial planning. In the early 60's we were a small business with a gross of less than \$100,000 per year. During that period, our financial records consisted of an accountant's annual profit and loss statement, a balanced check book and ledger, and maybe a farm inventory once every five years. As a hobby, I kept production records and recorded the yearly spray schedule.

In 1965, I purchased the business from my dad and started to see a real need for good financial planning. Before 1965, we were just wholesale apple growers. Now we grow apples, peaches, strawberries and pumpkins. Blueberries are being planned for the future.

Today we market our crops three ways, Retail, Pick-your-own, and Wholesale. This flexibility in marketing plus diversification of crops keeps our business income stable. Today our total gross is over \$750,000 per year. Hopefully this flexibility in marketing and crops will enable our business to survive the 80's.

Our planning for 1982 started with the drawing up of a 1982 Budget as soon as the 1981 crops were harvested. Using last year's production and financial records, we estimated what our income and expenses would be for 1982. We recognize that adverse weather conditions, labor shortages and any number of things can affect production levels, but, such a budget is still very useful in making production and financial decisions. We use production and expense averages when estimating budget items. Using the budget, I make a quarterly cash flow statement and every month I make a profit and loss statement for both the farm and the retail store.

The first week of January is inventory time and a detailed complete inventory is taken both on the farm and the retail store. Using the inventories, we prepare a balance sheet and a net worth statement dated December 31 of each year. Using the inventories and the budget we order packaging, fertilizer and chemical supplies in advance, taking advantage of early order discounts and, at the same time, we are enabled to keep inventories at a minimum.

Production figures are recorded every day during the harvest season. If these figures are recorded faithfully, it's no more than a ten minute job each day. Trying to do it from memory a week later is a disaster. We use these figures to determine if an orchard or strawberry bed is generating enough production to be profitable.

Income is also recorded daily. Income in the retail salesroom is broken down into ten separate categories. This is easy because the electronic cash register does all the work. At the end of the month we subtract the cost of each product from the related income to determine gross profit generated by that product. It's important to know just what products are high profit items and where you should focus your sales effort. Pick-your-own income is also recorded daily. The number of pounds sold is translated into bushels, 3/4 bushels, or quarts and added to the production figures so that we have very accurate estimates of yields for each crop at the end of the season.

I would like to say a few words about cash security. To become a cashier at Battleview, you must work for a minimum of one year at other jobs in the retail store or on the farm. This way, we are well acquainted with a person before trusting him or her to handle our money. All of our retail and pick-your-own cashiers are responsible for their cash drawers. We give receipts to all customers and copies of these receipts are totaled and compared to the total of the money in the cash drawer. Cashiers make fewer mistakes when they know that someone is checking their work.

When harvest is completed we start planning for next year. Record keeping and financial planning are interesting and exciting to me, but more importantly, our profits are directly related to the amount of time that I spend in the office. And, I sleep better knowing that I have a workable, practical plan of operations for the coming year.



FAMILY TEAM WORK IN DIRECT MARKETING

Ann Kaiser

It is nice to be here in Virginia and visit with you on direct marketing. In my work as editor of Farm Wife News, I have had an opportunity to visit with a number of families involved in direct marketing. I am not a farm girl by background but have immensely enjoyed my work with farm families since I have been with Farm Wife News.

My real education in learning about farm life began in 1976 when our publisher suggested that I initiate a series of monthly articles based on visits to farm families. He suggested that I spend a couple of days with a family to work with them, take pictures and come back and write an article. The publisher wanted me to work out how this should be done so I divided the country into twelve areas with the idea of visiting one area of the country each month. The first month, I selected a four-state area in the mid-west and put a note in the Farm Wife News asking for an invitation from anyone in this area who would be willing to have me visit with them. To my amazement, I received 174 invitations. We selected a winner at random and since that visit I have had an opportunity to visit 66 other farms all across the country. It has been an exciting and educational experience.

What I would like to do today is to share with you some of my visits to families that have been involved in direct marketing. One of the foremost impressions I have of my farm visits is the partnership between a man and a wife in running the farm business together. Sometimes this is a legal partnership but often it is an unwritten partnership which just merges the family and the farm business.

I was at a meeting of agricultural marketers recently and heard a speaker named Dr. Hiram Drache from Concordia College in Minnesota. He is a farmer, an author, and a professor of history. In his most recent book, he interviewed 200 successful farmers from across the country. He asked the farmers to identify the one factor that was most important to their success in farming. Sixty percent of the farmers listed their wife as the most important factor in their success. The second most important factor was economic adversity. Questions were raised about why this rated so high. He said that in times of economic adversity farmers sharpened their management skills and came up with better ways of doing things.

Dick and Jeanette McConnell were one of the farm families that I visited with for Farm Wife News. You heard Dick discuss their operation yesterday. They invited me during strawberry season and put me to work helping with the field work. I thought it was interesting that they had two telephones, one with a tape which gave all the information on what was available as well as including another number that could be called for more specific information. Jeanette spent much of her day talking to customers and adding the personal touch to the operation. She spent much of her time on what we would call public relations in explaining about prices and handling complaints.

One of the other families I have visited in the past couple of years was Carol and John Hottenstein who are located near Lancaster, Pennsylvania. They farm about 70 acres and raise small grain and cattle and had a two acre garden which they direct marketed. Since that time, they have tripled their garden operation. My job, when I visited, was to work in the garden and their direct marketing operation. From John and Carol I learned that location can be a very important element in selling to the public. Their farm is at an intersection of two well-traveled roads. Carol found that she liked growing vegetables and took primary responsibility for this enterprise. Carol started her market off the picnic table in her yard. She kept a sign out front showing what she had for sale that day. She kept a black board with prices on it and when she wasn't there, she left a cash box in which people dropped money in for the produce they purchased. Carol said she was impressed by the honesty of people in paying for the produce.

Carol recently converted the old milkhouse into a market building to expand the operation. She has added pumpkins, pickles, cheese and a number of other items that were not there when I visited. She purchases some vegetables, such as sweet potatoes, from other people. Carol said that moving inside from the picnic table to the new market has made it much easier and enjoyable. Carol said she was a "people person" and enjoyed working with the customers. She really likes the personal contact and her attitude toward the customers is one key to the success of the market. Carol has two sons who work in the operation and she feels they have really learned a lot about assuming responsibility from their work.

Now come with me to the family of Frankie and Doug Carrington in North Carolina. Doug studied Horticulture in college and now manages the fruit and vegetable farm which has been expanded to include greenhouses. They have seven acres of peaches, six acres of apples and seven acres of strawberries and smaller acreages of several other vegetable crops. Most all of the fruits and vegetables are direct marketed to the customer. They have eight greenhouses and I visited in February just after they had finished handling one of their largest greenhouse crops, poinsettias. They take 50,000 poinsettia cuttings, grow about 10,000 plants and sell the remaining 40,000 cuttings to other growers. Frankie taught high school for several years, but during the past year began working full time in their business. Doug pointed out that by having Frankie involved in the farm business both of them understood why it was necessary to make new business investments when both of them really wanted something for the home. They set their business and personal priorities together so they both understood why those business priorities were often necessary. This sharing of decision making is something I have witnessed with many farm families and is a somewhat unique relationship in today's economy. This unique business and family relationship pulls farm couples closer together. While at the Carringtons' I gained a lot of experience potting small plants. The big thing at the time was potting fuschias for Mother's Day and caring for Easter lilies. I never really thought about Easter lilies as a farm crop, but I learned that growing lilies is a highly scientific process. The amounts of light, water and heat are carefully controlled so each lily has two or three blooms by Easter Sunday.

Up in Minnesota I visited some dairy farmers, Joe and Mary Eichten. Joe and Mary had been operating a traditional dairy operation for many years until one day they decided that something had to change. Things were not working out for them financially and they decided they were either going to have to give up dairying or find some way to get more income from what they produced. They decided to start making cheese so both Joe and Mary went to the University of Minnesota and got their masters of cheese making. They decided they wanted to make Dutch Gouda cheese. They produce what they call Minnesota Farmstead Gouda and they are really good at it. They had no customers when they started so Mary visited every civic club and other organizations in town to let them know that they were making their own cheese for sale. She did programs on cheese making and gave those attending free samples. She also convinced some grocery stores to stock their cheese. Later she went into mail order gift boxes and that is now a major part of their business along with the on-the-farm cheese shop.

While I was on the farm, I spent all morning making cheese. Their shop is right off the cheese making room so Mary can go back and forth between cheese making and handling customers. The thing that makes buying direct exciting for people like me is that I get a chance to meet the real farmers that are growing or producing the products. You may not think that is too important, but when a person can say I know the people who produce this, then that is unique in today's highly organized and dispersed economy. Mary is very effective as she visits with customers and there is almost no way to measure the value of this special farmer-consumer relationship to their business.

Last year I went down to Oak Hill, Ohio to visit Ed and Dorothy Lewis. They raise about 80,000 turkeys a year as well as having beef cattle. About 75,000 of their turkeys go to a processing plant in Pennsylvania and the remaining 5,000 are fresh dressed and sold directly from the farm. They not only have a direct marketing turkey business, but they also operate a restaurant in their town where they feature turkey and dressing.

During my visit Dorothy put an apron on me and put me to work dressing turkeys. Dorothy is a hard working, no nonsense person, especially around Thanksgiving. Along with all the work of dressing turkey, Dorothy would receive a telephone call about every five minutes from someone placing an order. Many were individual sales, but several were large orders placed by companies giving fresh turkeys for Thanksgiving and Christmas.

Another farm I visited was the Apple Christmas tree and blueberry farm. The Apples have a family corporation and are an elderly couple. Gerald and Elaine Walker have managed the Apple's farm for the past eight years. Each year they cut about 25,000 Christmas trees for wholesale and directly sell another 3,000 to 4,000 cut-your-own Christmas trees plus about 500 trees they cut themselves. For a number of years Mr. Apple has had a dream of building a Santa room at the farm, but it was not until the Walkers' joined the operation that this materialized. Elaine became enthusiastic about the idea and went to work to get a Santa's shop built. When customers come to the Apple farm now they cut their tree and then return to the Santa's shop to be welcomed by Santa Claus and his elves. Local stores furnish toys with which the children can play while there.

The Walkers' children work as the elves and this makes them feel part of the business. Buying a Christmas tree has become a tradition and a family experience for many people in the area. In addition to family visits, a number of schools sponsor tours to the farm and through the Santa room.

Through my visits for Farm Wive News, I have gotten to know many of you and the products you sell. I have been most impressed with the special relationship that develops between a husband and wife as they strive to make a success of farming and direct marketing. You should highly treasure this special relationship.

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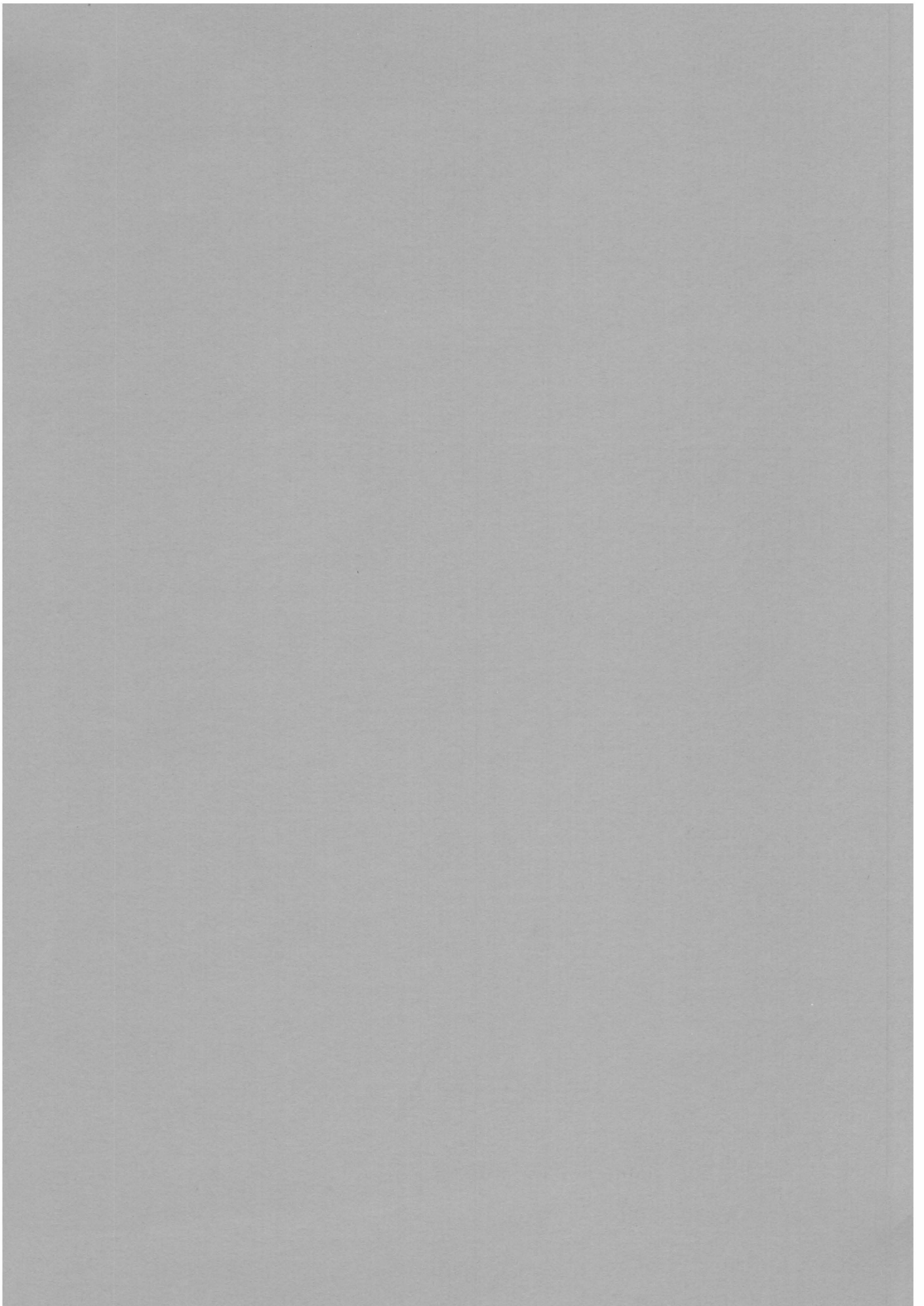
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