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University of Tennessee Agricultural Experiment Station

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University of Tennessee Agricultural Experiment Station

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STACKS

By John R. Brooker*

INTRODUCTION AND OBJECTIVES

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Department of
Agricultural Economics
and Rural Sociology

DIRECT MARKETING OF FRUITS AND VEGETABLES
THROUGH PICK-YOUR-OWN OUTLETS

By John R. Brooker*

INTRODUCTION AND OBJECTIVES

Direct marketing of fruits and vegetables received considerable attention in the U.S. after passage of the Direct Marketing Act of 1976.¹ The term direct marketing generally refers to any system of marketing that excludes one or more middlemen previously involved in marketing a particular product. Fresh fruits and vegetables are quite suitable for direct marketing because the product can be moved from farms to final consumers with no processing. The two "purest" direct marketing channels, which eliminate all middlemen between farmers and the ultimate consumers, are the pick-your-own operations and roadside stands.

Pick-your-own operations in this study denote farmer marketing operations in which customers harvest the produce they purchase. The roadside stands covered in this study were limited to those fruit and/or vegetable sales operations owned by the farmer and located at the farm.

The general purpose of this study was to focus on the direct marketing sales of producers at the farm.² In a subsequent report, direct

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¹Henderson, Peter L. and Harold R. Linstrom. Farmer-to-Consumer Direct Marketing: Selected States, 1979-80. Sta. Bul. No. 681, ERS, USDA, Washington, D.C., February 1982.

²This report is a contribution to Southern Regional Marketing Project S-129, entitled "The Organization and Efficiency of the Fruit and Vegetable Production-Marketing Subsector in the South," and will be combined with similar reports from other southern states to obtain a regional perspective of direct marketing.

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marketing through farmers' markets and local produce wholesalers will be examined. The economic viability of existing direct marketing outlets and the potential for growth in sales through these outlets is a concern of numerous growers considering additional, or alternative, fresh produce marketing outlets. The first specific objective was to identify the pick-your-own and roadside stand direct marketing outlets in Tennessee. The second objective was to determine the operational characteristics of these direct marketing outlets. A request was made with each County Extension Leader to provide a list of all fruit and vegetable direct marketing outlets in the county. This list was supplemented with an earlier published directory of pick-your-own outlets.³

PROCEDURE AND SOURCE OF DATA

Questionnaires were mailed to every known pick-your-own operation (PYO) and farmer operated roadside stand (RSS) in Tennessee. These questionnaires were designed to obtain the following information:

1. Length of time in operation and reason for direct sales
2. Products sold, with acreages and quantities sold
3. Procedure for determining prices
4. Services provided and customer relations
5. Advertising and other merchandising practices
6. Work force involved
7. Average number of customers per season and average purchase
8. Distance to and population of nearby cities

²Rutledge, Alvin D. and Emmit L. Rawls. "Pick Your Own Fruits and Vegetables in Tennessee." Agr. Ext. Ser., Univ. of Tenn., Knoxville, June 1978.

In the first stage of the survey, 200 PYO and 64 RSS outlets were identified in Tennessee (Table 1). Two-thirds of Tennessee's counties had one or more of either of these two types of direct marketing outlets in 1981. Of the 65 counties with such outlets, 31% were located in a Standard Metropolitan Statistical Area (SMSA), while 47% of the PYO outlets and 33% of the RSS outlets were located in these counties. Forty-five of the farmers operating a PYO outlet responded to the mail survey and 7 of the RSS operators responded. Because of the low response from the RSS operators, none of the specific characteristics of the RSS operations will be presented in this report.

PICK-YOUR-OWN OUTLETS

Products Sold

Among the 45 growers who returned a mail questionnaire regarding the operation of a PYO outlet, 43 produced fruits and 9 produced vegetables (Table 2). Only two growers produced and sold vegetables exclusively; however, 36 growers sold fruits exclusively. Two-thirds of the PYO operations sold only one product.

The importance of the PYO outlet to any particular grower was reflected in the proportion of total quantity produced that was sold through a PYO outlet. Eighty-two percent of the responding growers reported selling more than 50% of their production through a PYO channel. Forty-two percent reported selling 100% of their production through a PYO outlet.

Sweet corn was the most frequently produced vegetable product and strawberries the most frequently produced fruit (Table 3). Out of the 45 growers, nearly three-fourths produced strawberries. The average strawberry

Table 1. Number and location of grower operated fruit and vegetable pick-your-own and roadside stand sales outlets, Tennessee, 1981

County	Direct marketing outlet ^a		County	Direct marketing outlet ^a	
	Pick-your-own	Roadside stands		Pick-your-own	Roadside stands
	number			number	
Anderson ^b	3	3	Lincoln	0	3
Bledsoe	3	2	Loudon	5	1
Blount ^b	4	1	Madison	7	0
Bradley	2	2	Marion ^b	2	0
Cheatham ^b	1	1	Marshall	1	0
Chester	1	0	Mauury	2	1
Cocke	0	3	McMinn	0	3
Coffee	4	0	McNairy	1	4
Crockett	7	2	Meigs	0	1
Cumberland	6	1	Montgomery ^b	2	4
Davidson ^b	11	0	Morgan	2	0
Decatur	2	1	Obion	5	1
Dekalb ^b	0	1	Overton	1	0
Dickson ^b	4	0	Polk	0	1
Dyer	2	3	Pickett	0	1
Fayette	6	0	Putnam	1	0
Gibson	10	0	Rhea	6	0
Giles	0	1	Robertson ^b	4	0
Grainger	1	0	Rutherford ^b	2	0
Hamblen ^b	4	0	Sequatchie ^b	0	0
Hamilton ^b	11	4	Shelby ^b	4	3
Hardeman	1	0	Smith	1	0
Hawkins ^b	0	1	Sumner ^b	17	0
Haywood	2	0	Tipton ^b	5	0
Henderson	4	0	Trousdale	1	1
Henry	4	0	Unicoi ^b	5	2
Houston	4	1	Van Buren	0	2
Humphreys	1	0	Warren	1	0
Jefferson	1	0	Washington ^b	2	0
Johnson	1	2	Wayne	3	0
Knox ^b	5	1	Williamson ^b	8	1
Lawrence	4	3	Wilson	2	0
Lewis	1	1	TOTAL	200	64

^a Any list of outlets is obviously out-of-date once printed, because of outlet entry and exit.

^b County in a Standard Metropolitan Statistical Area.

Source: Survey of all Tennessee County Extension Leaders and Tennessee Agricultural Extension Service.

Table 2. Number of products produced for sale at pick-your-own outlets operated by 45 responding fruit and vegetable growers, Tennessee, 1981

Item	Growers	
	number	percent ^a
Number of products produced:		
1	30	67
2	9	20
3	2	4
4 or more	4	9
TOTAL	45	100
Fruits vs. vegetables:		
Produce fruits only	36	80
Produce vegetables only	2	4
Produce fruits and vegetables	7	16
TOTAL	45	100
Proportion of total quantity produced and sold through pick-your-own outlet:		
Less than 50 percent	6	18
50 through 99 percent	14	41
100 percent	14	41
No response	11	--
TOTAL	45	100

^aPercentage based on the number of respondents to a particular question.

Table 3. Major fruits and vegetables grown for sale at pick-your-own outlets, 45 responding growers, Tennessee, 1981

Item	Growers		Production		Proportion of total production sold through pick-your-own	
	number	percent	Total acres	Average per grower acres	acres	percent
Vegetables:						
Sweet corn	7	78	88.8	12.7	69.6	78
Butter or lima beans	3	33	53.0	17.7	53.0	100
Peas	3	33	65.0	21.7	55.1	85
Tomatoes	3	33	6.0	2.0	6.0	100
Greens	2	22	50.5	25.3	50.5	100
Okra	2	22	6.3	3.2	6.3	100
Squash	2	22	4.3	2.1	1.6	37
Peppers, Bell	1	11	2.0	2.0	2.0	100
TOTAL	$\frac{1}{9}^a$	--	275.9	--	244.1	88
Fruits:						
Strawberries	32	74	168.2	5.3	134.8	80
Peaches	10	23	313.8	31.4	207.0	66
Apples	4	9	161.0	40.3	91.4	57
Blackberries	2	5	6.5	3.2	6.1	94
Grapes	2	5	0.5	3.2	0.5	100
Blueberries	1	2	1.2	1.2	0.2	17
TOTAL	$\frac{1}{43}^b$	--	651.2	--	440.0	68

^aNine out of the 45 responding growers produced vegetables.

^bForty-three out of 45 responding growers produced fruits.

acreage per grower was 5.3 acres, and 80% of the total production was sold through the PYO channel. Peach and apple growers were not quite as dependent on PYO sales as the strawberry producers or the vegetable growers (Table 3).

Entry Considerations

Three-fourths of the reported PYO operations were established during the past ten years (Table 4). Nearly two-thirds had been in operation less than five years. This growth in numbers of PYO outlets reflects the net change in numbers of growers adopting and abandoning this marketing channel. The growth in PYO numbers is comparable to that reported in other states.³

Several different reasons were given by operators of PYO outlets for selecting this type of direct marketing. Half the growers reported problems with harvesting labor as the prime motivating force (Table 5). Greater profit potential with PYO outlets than other market outlets was the reason reported by 27% of the growers.

Dependence upon family labor was emphasized by the fact that only 13% of the growers employed more than 5 hired workers, and these were growers who sold less than half of their production through a PYO operation. Nearly half of the PYO growers did not use hired labor.

Customer Considerations

The services and facilities available at PYO outlets are listed in Table 6. Nearly all of the growers, 95%, provided containers for the customers to use while picking the produce. However, slightly more than

³Henderson, op. cit.

Table 4. Number of years that 45 responding growers have sold fruits and vegetables through pick-your-own outlets in Tennessee, 1981

Number of years	Growers	
	number	percent
1	2	4
2	6	13
3	7	16
4	11	24
5	3	7
6-10	6	13
11-20	7	16
21 & over	3	7
TOTAL	45	100

Table 5. Reasons reported by 45 responding fruit and vegetable growers for selecting pick-your-own marketing channels, Tennessee, 1981

Reason	Growers	
	number ^a	percent ^a
Harvesting labor not available	23	51
Greater profits possible	12	27
Consumer demand reliable	9	20
Complexity of other outlets	4	9
Acreage and time for other outlets prohibitive	4	9
Prefer to work at home	3	7

^aSome growers reported more than one reason.

Table 6. Services and facilities provided by 45 responding fruit and vegetable growers operating pick-your-own outlets, Tennessee, 1981.

Item	Growers ^a			Percent yes
	Yes	No	No response	
Containers for picking	42	3	0	93
Maintain regular picking hours	31	13	1	69
Containers to take home	26	19	0	58
Restrooms	14	31	0	31
Picking and take-home-some containers	11	34	0	24
Concession and or machines	8	37	0	18
Transportation on site	6	39	0	13
Picnic area	5	40	0	11
Playground area	3	42	0	7
Baby sitting service	1	44	0	2

^aSome growers reported more than one service.

one-third of these growers did not provide containers for the customers to take home. Only a small number of growers provided "extensive" services such as picnic areas, baby sitting, playgrounds, and concession stands or machines (Table 6).

Slightly more than half of the growers, 57%, reported buying liability insurance to protect themselves from customer claims (Table 7). During the previous summer, 1980, two growers reported customer injury, and an insurance report was filed in both cases. The PYO operators were asked also about customer damage to crops. Nine percent reported serious crop damage by customers. The remaining growers reported crop damage as either minor or negligible.

Merchandising Considerations

Price determination for half of the growers was based on following the lead of a neighbor (Table 8). The second most frequently reported procedure was to charge prices below those observed in retail stores. Other growers tried to calculate cost of production, attempted to estimate a "fair" price, or tried to follow prices reported in USDA market news reports.

Promotional activities were reported by 81% of the responding growers (Table 9). In several instances growers used more than one type of advertising medium. The two most frequently used media were local newspapers and radio stations. Other advertising media reported by growers included telephones, store posters, hand bulletins, and listings with extension offices.

Table 7. Liability precautions and customer problems reported by 45 responding fruit and vegetable growers operating pick-your-own outlets, Tennessee, 1981

Item	Growers			Percent yes percent
	Yes	No	No response	
	number			
Purchase liability insurance	24	18	3	57
Customer injury during previous year	2	42	1	5
Insurance report filed on injury	2	0	0	--
Crop damage by customers				
Negligible	19	--	--	42
Minor	21	--	--	47
Serious	4	--	--	9
No response	1	--	--	2
TOTAL	45			100

Table 8. Bases reported by 44 responding fruit and vegetable growers for setting product price at pick-your-own outlets, Tennessee, 1981

Procedure used to determine price	Growers ^a	
	number	percent
Charge same price as neighbor	22	50
Discount from retail store price	17	39
Calculate cost of production and add markup	8	18
Follow USDA Market News	6	14
Estimate fair price and follow all season	6	14

^aSome growers reported more than one.

Table 9. Promotional activities of 45 responding fruit and vegetable operating pick-your-own outlets, Tennessee, 1981

Promotional activity	Growers			Percent yes percent ^a
	Yes	No	No response	
	----- number -----			
Discounts for large volume	7	37	1	16
Advertise via some media:	35	8	2	81
Newspaper	29	14	2	67
Radio	12	31	2	28
Telephone	2	41	2	5
Other	5	38	2	12
Frequency of advertisements:				
Less than five times	18	--	--	56
Five to ten times	4	--	--	12
Eleven to twenty times	4	--	--	12
Every day open for business	6	--	--	19
	TOTAL	32	--	99
Maintain a mailing list	5	36	4	12
Problem obtaining enough customers	9	35	1	20

^aPercentages based on number of growers responding to a particular question.

^bTotal less than 100 due to rounding error.

The number of customers that visit PYO outlets obviously varies with the length of picking season and the products available. More than half the growers, 58%, estimated the number of customers visiting their PYO outlet during 1980 was less than 500 (Table 10). Thirty-seven percent estimated customer numbers between 1,000 and 9,999, and only 5% estimated customer numbers between 10,000 and 20,000.

Season length for most of the PYO outlets was reported to be less than three months. Only 12% of the growers reported season lengths greater than 12 weeks.

Average customer purchase per visit, as reported by the responding growers, are shown in Table 10. Fifty-six percent estimated purchases to be \$10 or less per visit, while only 11% estimated purchases to be between \$20 and \$30.

Success, and perhaps even more importantly, sales growth of a particular PYO outlet may be associated with proximity to a city of some size. The growers were asked to indicate the size of the nearest and the second nearest city to their PYO outlet. For two-thirds of the growers, the nearest city's population was 50,000 or less (Table 11). Nearly all growers, 90%, were located within 20 miles of the nearest city. For 66% of the growers, more than half of their buyers came from the nearest city.

CONCLUDING REMARKS

Direct marketing of fresh fruits and vegetables is limited by several constraints. First, open field production of fresh produce necessarily limits production to a relatively short time span. Second, while a segment of the consuming population may prefer fresh produce, many consumers evidently prefer the services available with processed products.

Table 10. Number of customers, average value of purchases, number of visits per season, and length of selling seasons reported by 45 responding fruit and vegetable growers operating pick-your-own outlets, Tennessee, 1981

Item	Growers	
	Number	Percent ^a
Number of customers during previous season:		
Less than 100	6	16
100 through 499	16	42
500 through 999	5	13
1,000 through 9,999	9	24
10,000 through 20,000	2	5
No response	7	--
TOTAL	45	100
Number of weeks during season:		
1 through 4 weeks	28	68
5 through 12 weeks	8	20
13 weeks and over	5	12
No response	4	--
TOTAL	45	100
Average purchase per customer visit:		
\$10 or less	15	56
\$11 through \$20	9	33
\$21 through \$30	3	11
No response	18	--
TOTAL	45	100

^aPercentage based on the number of growers responding to a particular question.

Table 11. Population of nearby cities and distances from fruit and vegetable pick-your-own outlets operated by 45 responding growers, Tennessee, 1981

Item	Nearest city		Second nearest city	
	number	percent ^a	number	percent ^a
Growers				
Population of nearby cities:				
Less than 10,000	15	36	8	28
10,000 through 50,000	15	36	17	58
50,001 through 100,000	1	2	0	0
More than 100,000	11	26	4	14
No response	3	--	16	--
TOTAL	45	100	45	100
Distance from farm to nearby cities:				
Less than 10 miles	21	53	4	14
10 through 20 miles	15	37	18	62
More than 20 miles	4	10	7	24
No response	5	--	16	--
TOTAL	45	100	45	100
Percentage of buyers from nearby cities:				
Less than 25 percent	5	17	12	48
25 through 49 percent	5	17	6	24
50 through 74 percent	11	38	5	20
75 through 100 percent	8	28	2	8
No response	16	--	20	--
TOTAL	45	100	45	100

^aPercentages based on number of growers responding to a particular question.

Third, many consumers will not have ready access to a direct marketing outlet or be willing to devote the extra effort or expense necessary to "go to the farmer." However, direct marketing through PYO outlets seems to serve a viable role. Based on the results of this study it appears that several products, especially strawberries, have potential for selling additional volume through the PYO marketing channel.

Increased volume through PYO marketing outlets in Tennessee appears most likely through established operations. Opportunities would seem to be readily available for expanding the mix of products, increasing quantities available by expanding acreage and/or lengthening of the period of availability, and increasing sales revenue by improved merchandising and promotion to further enhance consumer demand. However, many growers may lack managerial skills or incentive to act upon these opportunities.⁴ Growth in direct marketing will depend to a considerable extent upon grower awareness of the success of existing participants and of the potential for expanding sales in both rural and urban type counties.

⁴Blakely, Ransom A. "Direct Marketing: Rich Heritage, Promising Future," American Fruit Grower. Vol. 102, No. 6, June, 1982. Suite 202, 300 Valley St., Sausalito, Ca.