

Develop a Farm Stand

AGRITOURISM BEST PRACTICES SERIES



Farm stands dot Vermont country roads, from the gardener who puts her extra tomatoes under an umbrella to the full-diet farm stand that carries other producers' products. Farm stands are attractive to consumers who are seeking fresh, locally grown food. They connect customers to their food and to where that food was produced. For farmers, selling directly removes the "middle person," meaning one can typically earn a better margin on products. On-farm retail comes with some costs, such as the liability of having product on-site; the expenses of keeping a retail area clean, coolers running, and lights on; and the responsibility of managing the visitor experience. This chapter will help you determine if a farm stand is right for your farm and offer tips for setting one up.

Town and State Regulations

LOOK INTO TOWN ZONING LAWS

Some cities and towns may have ordinances that apply to your farm retail operation. Be sure to check with your local officials and Department of Health to ensure you're in compliance with the regulations before you go through the trouble of building your farm stand.

Location

Farm stands on highly trafficked roads are sure to get the most business. Knowing how many cars pass by each day, and at which times, can help you set your hours of operation. Your town may have traffic survey data, or you can simply count cars visually or with a rubber tube ticker. Roadside signs can be helpful in getting customers to your farm, especially if the farm is located off the main road, but check with your town officials about any size and placement restrictions on signs in your town.

You must also consider where on the farm you want your farm stand to be located. Right on the road? Closer to your home? Near the coolers? Be deliberate and thoughtful about selecting a location, and don't shy away from asking neighbors, Extension agents, or farm staff where they think it should be.

Locating a farm stand off the farm can also be an option if your farm site is not well-trafficked, convenient for customers, or safe. Off-site stands can be successful if arranged carefully. Produce transport is usually the biggest obstacle. Sometimes duplicative infrastructure is needed, which may make the start-up process more capital intensive and financially risky.



Food Safety

GROWING, HARVESTING, AND STORING PRODUCE

Minimizing food safety risks is important no matter how you sell your farm products. University of Vermont Extension has several resources to help you build a food safety strategy. Here are some general guidelines for harvesting, washing, and storing produce:

- Harvest in the morning when it's cooler and remove field heat as soon as possible from perishable produce. This will increase the quality and durability of produce and reduce the growth rate of pathogens.
- Have one set of bins for harvesting and one set for clean produce
- Keep bins clean.
- Sanitize harvest knives kept in one clean central location.
- For outstanding quality and food safety for most leafy greens: triple rinse and store in a cold (40°F) and moist cooler and sell within 72 hours.
- Label containers in storage with harvest and/or pack date as part of a first-in, first-out strategy.

FOOD SAFETY INSIDE YOUR FARMSTAND

Take measures to create a clean, pest-free environment, and make sure food is packaged and sold safely. Take the precautions recommended for farmers' market vendors, as outlined in University of Vermont Extension's [Food Safety for Farmers' Market Vendors Series](#).

Selling Meat Products

- To prevent rapid microbial growth, meat must be stored, transported, and sold at <15°F if frozen and <40°F if refrigerated.
- In storage, ensure that the juices of one species (i.e., poultry, beef, etc.) do not drip onto and contaminate another species, or any other type of product, with bacteria.
- Bag meat separately from any other products (particularly fresh produce, ready-to-eat foods, baked goods) to prevent cross-contamination.
- Label products with "Safe Handling Instructions" and understand these safe practices so that you can explain them to customers. This will increase the likelihood that the customer will handle the product safely.

Selling Eggs

- Egg cartons should be clearly labeled with your address.
- If reusing egg cartons, make sure they are clean to prevent the transfer of bacteria to the eggs.
- Eggs should be kept cool (45°F or cooler is ideal).
- Display eggs under produce in the refrigerator.

Selling Dairy

- Some states require a retail license in order to sell dairy. Be sure you understand the regulations around dairy sales that pertain to your operation.
- Dairy products must be kept at or below 44°F.

Record keeping is an important step in risk management. Keep a record of all customer transactions, including what people purchase. Document when you take freezer and fridge temperatures and when you clean bins and coolers.

Having appropriate policies in place for farm workers is also a key step in keeping your food safe. Do not permit sick workers to handle food, have multiple first aid kits on hand, cover any worker wounds with bandages, have workers wear gloves, etc. Visit the UVM Center for Sustainable Agriculture's [Produce Safety and GAPs Resources web page](#) to learn more about farm worker health and hygiene policies and trainings.

Risk Management

Before opening for business, it is important to clarify all of your activities with your insurance provider. You may not have had “premise liability insurance” before you opened the farm stand, but you will need it once the public starts coming to the farm. Liability exposure will always be present when there are employees or guests on the farm. There are many types of liability exposure:

Premises Liability

Property owner fails to protect people from potentially hazardous conditions. Customer is injured on property or “premises.”

EXAMPLES: *slip and fall, equipment usage, contact with animals*

Product Liability

Customer is injured by a product that was prepared and/or served to them.

EXAMPLES: *foreign object in food, becoming ill after consuming food*

Property Damage

Customer's property is damaged by business/employee.

EXAMPLES: *employee hits a customer's car in parking lot*

Personal Liability

Customer suffers inadvertent personal harm from a service provided by a business.

EXAMPLES: *employee spills hot beverage on a customer and it causes a burn*

Employees

- Employer is responsible for employee's actions (“vicarious liability”).
- Know employment status — employee vs. independent contractors. Provide proper employee training to recognize, mitigate, and report risks and hazards.
- Vicarious liability: landowner responsible for his/her own actions and for those of people acting on the landowner's behalf (employees and independent contractors).

An endorsement, also known as a rider, addendum, or attachment, is a written document attached to an insurance policy that modifies the policy by changing the coverage of the policy. An endorsement can add coverage for activities or risks that are not covered as a part of the original policy and can be added at the inception of the policy or later during the term of the policy.

Marketing

The main challenge to creating a successful farm stand is differentiating yourself from your competition. An effective mix of marketing differentiation strategies gives customers a reason to buy your products by pointing out subtle or less obvious differences or benefits of which they may not be aware. Create a mix of strategies that reflects your vision, and that of your customers.

“ For us, the farmstand is an important way to bring people in and inform them about other things happening at the farm — PYO, educational workshops, etc. We have a community bulletin board, and tourists seek us out for info on the area.”

— Helen Whybrow, Knoll Farm, Fayston, VT

Pricing strategy

Customers want freshness, quality, and value, so give it to them. Don't inflate the price of your goods in order to create a perception of prestige, and don't price your goods as the low-cost alternative, which rejects the cooperative spirit among producers and in the long run is self-defeating. Determine your cost of production and base your prices on that.

Product strategy

Customers like diversity and uniqueness, and the convenience of finding these things in one place. They also value product freshness, quality, and, above all, flavor. Choose cultivars based on this, and sell fruits and vegetables at exactly the right maturity and texture — something supermarkets can't do because of transportation needs. Rarity itself can be a virtue. Grow traditional and unusual varieties that taste better and be prepared to market and explain their benefits.

“ Have a common ‘culture’ that defines our promises (to ourselves, to others, between us), our passion, or purpose, and our principles. It is crucial to deliver a consistent service, experience and product, even if we are a small farm with just two farm helpers twice a week. To define customer service and a work ethic is very important no matter if you are working just with family members or in a big operation.”

— Melisa Oliva, Ananda Gardens, Montpelier, VT

Customer service strategy

If your farm stand is staffed, focus on offering superior service. Friendly, happy, knowledgeable, efficient, and proficient staff are the most important factor in retail success.

How will they find you?

Word of mouth will be your best marketing, but Google, Facebook, print advertising, TripAdvisor and Yelp may also direct customers your way. Killdeer Farm in Norwich, VT finds that a transactional ad in the local newspaper consistently brings in lots of traffic, especially when they advertise specials on certain products each week.

Business Planning

ASSESSING AND PLANNING

One tool to consider when developing a business plan for a prospective farm stand is a SWOT analysis. SWOT stands for strengths, weaknesses, opportunities and threats, and is used by organizations or businesses to identify internal strengths and weaknesses, as well as external opportunities and threats. (See *sample SWOT chart on facing page*.) In addition, a cash flow projection helps you account for all your expenses and is another tool to help you assess and plan your farm stand.

“ Many people express pleasure that we are a farm and I am a farmer. They want the true experience, not so much a “tourist” stop. What’s the difference? Not over commercialized, really getting to learn about how the product is produced, not a lot of things for sale that we don’t make. Love your life on the farm, love your products, enjoy meeting people, or don’t bother.”

— Bette Lambert, Silloway Maple, Randolph, VT

Sample Farm Stand SWOT

	Helpful	Harmful
Internal Origin	<p>STRENGTHS</p> <ul style="list-style-type: none"> ■ Already grow a variety of produce to keep stand stocked through growing season ■ Have established relationships with local marketing partners — newspaper, radio, restaurants ■ Have customer base from farmers’ markets ■ Have capital saved for retrofitting shed for farm stand ■ Have interest and desire to make the farm stand a core part of our business plan ■ Enjoy the customer interaction and ready to increase those relationships on-site 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> ■ Coolers will need replacing within one year ■ Vegetables only; some customers may want full-diet ■ Not sure we have time to research regulations ■ Signage — we need more and we need to update what we have ■ Need to “clean up” the farm if we are now inviting people on with the farm stand
	<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> ■ Located on highly trafficked road ■ There is no farm stand for our community within 15 miles ■ Our farmers’ market customers have expressed interest in buying from us throughout the week — there is a demand ■ Possibly partner with other local farms/producers to have some of their products also at the farm stand (honey, maple syrup, bread, fruit, cheese, meats) 	<p>THREATS</p> <ul style="list-style-type: none"> ■ Possibility of theft ■ Country store down the road is not on board with our farm stand ■ Cost of additional permits, insurance, etc.
External Origin		

GENERATING INCOME WITH YOUR OWN PRODUCT VERSUS “BOUGHT IN”

Some farmers sell only produce they grow themselves. Others find that it is not economically sensible to grow all the crops that they’d ideally offer, so they purchase additional produce or products to supplement what they grow. For example, many small-scale farmers find it unprofitable to grow sweet corn, but find that sales of other produce are compromised if sweet corn is not offered. In response, they will purchase sweet corn from farms producing it at a larger scale and resell it. Supplementing your own produce with other products like bread, local honey, maple syrup, local milk, crafts, jams, pickles, etc., can improve the economic viability of your farm stand by making it more interesting to customers, many of whom are looking for three meals from one stop.

“ Define success in an ephemeral way — however it befits your personality, ethos, etc. But, remember, if it won’t make money, then it won’t survive — and that benefits no one. So, what does success mean to you?”

— Scott Woolsey, Retail and Customer Service Manager
Killdeer Farm and Farm Stand, Norwich, VT

When purchasing for resale, you must maintain the integrity of your vision by establishing guidelines for sourcing products. These guidelines must be easily communicated by you and your staff. For example, some growers only purchase certified organic or locally

produced products. Providing as much information as possible to consumers regarding product origin and growing practices is wise, as many consumers want to know.

When selecting producers to work with, consider writing up a sales agreement, which is a set of procedures and standards that a buyer and seller agree to follow when working with each other. (See box below.) This will create predictability and accurate expectations for both parties. In addition to having a sales agreement, all products that are purchased and resold should be tracked and inventoried.

See [Writing a Basic Sales Agreement for the Direct Market Farm](#) by Rachel Armstrong, 2014. Additional resources at [Farm Commons website - Resources](#).

PRICING

Establishing a fair and reliable pricing strategy is essential for farm stand success.

- Start by defining your costs of production. It may be difficult to maintain, but try to develop a record system that gives production costs for each item. Product prices should be set to at least cover these costs. Account for shrinkage, seconds, and other losses.
- Remember, better food is worth more. When you have a superior product — better than the supermarket or even the farmer next door — charge more for it. Some customers are price-conscious, and some aren't. When you price food at rock-bottom prices, customers buy the same amount anyway. The refrigerator is only so big, and a family only eats so much.
- Provide a markup that covers the cost of either purchasing-in or growing a product, and then add 30–50% for profit (partially dependent on shrinkage).
- Consider selling certain crops as “loss leaders” either at or below cost in order to attract customers, who then spend money buying other things that make up for the poor return on the loss leader.

ACCEPTING PAYMENT

Can you accept credit cards? If you have a smartphone or tablet, you can purchase a mobile credit card processor that allows you to swipe credit and debit cards as long as the device is connected to the Internet.

You might also consider pre-paid memberships to your farm stand, where the customer pays you up front, and you keep a log of how much product they buy throughout the season. Some farms offer small discounts to customers who buy pre-paid cards.

Many farms have a self-service model with a money box and some small bills and coins available to make change. When operating a self-service stand, you must be aware of the risk of theft of both product and cash. Keep your money box bolted down and use a key to open it. Empty the money frequently.

BUDGETING AND BUILDING

A capital budget is used to assess the economic viability of a business project lasting more than one year where capital assets are involved. There are three parts to a capital budget. First, the capital expenditures, or the investment in machinery, equipment, architects, infrastructure, and construction of the farm stand. Second are the cash flow projections that examine profit or loss on an annual basis. The final piece includes the projection for liquidating the assets and shutting down the business.

RETURN ON INVESTMENT

Another important calculation is your return on investment. Consider a very small, self-serve farm stand located on a road that is highly trafficked. The family grows vegetables in a ½-acre market garden. The stand costs about \$300 to set up, with no lighting, coolers, or other infrastructure. If the owners gross \$200/week for 12 weeks of the season, their gross income is \$2,400. As it is their third season, they have no infrastructure costs associated with producing the vegetables, so their production costs for 12 weeks are only seeds (\$200) and labor (one person at eight hours per day, five days per week, or $40 \times 12 = 480$ hours \times \$14/hour = \$6,720). They sell $\frac{1}{3}$ of their produce at a farmers' market, $\frac{1}{3}$ to



two restaurants, and $\frac{1}{3}$ at the farm stand. If they attribute their cost of production equally over the three markets ($\$6720 / 3$), then their net profit is $\$2,400 - \$2,240 = \$160$. They aren't operating in the red, but the farm stand is not very lucrative. They would cover their initial investment in the farm stand construction, but their return on investment is low.

BREAK-EVEN POINT

Understanding your break-even point can also help you determine if a farm stand is profitable. Look at all expenses, variable and fixed, including food, utilities, staffing, etc. Determine the amount of your average sales transaction. Divide overall expenses by the average sales transaction to see the number of customers you need to break even. Is this a realistic number, considering the traffic count? For more on calculating break-even points, see "Best Practices in Business and Financial Planning" chapter in this series.

Farm Stand Design and Layout

Merchandising strategies can help you exceed your target number of customers and increase the value of the average sales transaction. Experiment with ways to encourage "impulse buys," such as placing a pint of cherry tomatoes or raspberries right by the register. Want to push sales of one item? Offer samples of it! (But follow guidelines for food safety when sampling.)

Produce should be refreshed regularly, so it is always looking its best, especially if you aren't refrigerating it. Make sure you display unblemished produce that is of uniform size, and clearly label prices near each item.

“ Good visual merchandising is not magic. It just requires a little time, a little creativity, and a desire to stand out.”

— Mary Peabody, University of Vermont Extension
[The Art and Science of Farmers' Market Display](#)



“ Displays should be works of art. Use contrasting colors and keep things full. The first, middle, and last customers of the day deserve (essentially) the same experience. Customers should ALWAYS be able to count on the best you have to offer.”

— Scott Woolsey, Retail and Customer Service Manager
Killdeer Farm and Farm Stand, Norwich, VT

Anyone can snap and share a photo on social media, so:

- Make it count.
- Control the image.
- Facilitate.
- Be mindful of your merchandising.
- Give them diversity!
- Use color contrast and lighting to create attractive displays that “want to be photographed.”
- Constantly ask yourself and staff, “If a photographer for *Martha Stewart Living* walked in, would we wish anything looked better?”

FOUR KEYS TO STRONG DESIGN

- **Overflowing baskets of produce invite customers** in and make them want to purchase. Keep your displays looking full and colorful, but also make them user-friendly. Baskets make great displays, because they make selection easy, and reduce risk of the whole arrangement falling apart.
- **Make sure your products are clearly marked.** Provide cooking and serving ideas for unfamiliar items. Knowing your customers provides you with important information about how to package your products for the best sales. Some customers will always look for product that is prepackaged, weighed, and priced, so they know exactly what they are paying for. Other customers will want to select and bag their own product from the basket. Find ways to accommodate both types of customer. You might also try packaging a variety of items together to help customers gain a sense of how to use unfamiliar items. Examples of these bundles might include a stir-fry medley, a soup veggie pack, or a salsa kit. Many farmers have great success with this type of marketing.
- **Products should be front and center.** All other materials — baskets, boxes, table covers, signage — are there to complement the product. When you select awnings, tablecloths, and containers, use background colors that enhance what you are selling. Avoid using colors that clash with your products or send mixed messages to the buyer. There has been lots of research on the role of color in marketing, and the evidence certainly points to a connection between color, emotion, and consumer behavior.
- **Lighting is important** to the appearances of your products as well as customer safety.

Staffing

If you have a staffed farm stand, then your staff is likely going to be both your biggest expense and your biggest asset. Teach your employees constantly, and learn from them. Everybody needs to know the products. You as a farmer must be able to answer objective questions — is this apple sweet or tart? Does this onion store well? Is this cut of meat good for the grill? However, customers also appreciate hearing about your personal comments.

- Train your staff to be educated and helpful.
- Empower your staff to interact with customers.
- Introduce yourself, or assign a “greeter.” You *have* to say, “Hello!”
- Make sure your visitors feel that they are guests, and that as the host, you want them to have a great visit.
- Provide them with personal concierge-style service.
- Ask if they have questions and offer samples.
- ALWAYS thank them for visiting.
- ALWAYS insist on helping to bag and carry their purchases!

Visit farm stands to gather ideas as you plan your endeavor. Take stock of the characteristics that you like and dislike. Plan, implement, and adapt. Remember that a farm stand is a window to your farm, so be sure it reflects your values and lets the quality of your products shine.



Also in this series:

How To...

- Host Weddings on Your Farm
- Host Dinners on Your Farm
- Host Summer Camp on Your Farm
- Develop a Farm Stay
- Develop a Farm Tour
- Develop a Pick-Your-Own Business

A Guide to Successful Agritourism Enterprises

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REFERENCES: “Common Characteristics of PYO Customers” from North Carolina State University, “Relative Importance of Factors Affecting Customer’s Decision to Buy Pick-Your-Own Versus Pre-harvested Fruit at North Carolina Farms.” *Journal of Agricultural and Applied Economics*, 2008; and Adam Hausmann, Adam’s Berry Farm, Charlotte, VT.

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