

Market Research

Who you plan to sell your products to is important. You need to identify who it is that you plan to sell to. Terms commonly used are: “highly-educated”, “high-end”, “foodies”, “neighbors”, “fellow heritage breed enthusiasts”, etc. This is not the restaurant or grocery, this is the people that frequent those places.

Here you will identify terms to describe those people that you think will buy your product.

Where the customer is located

The next thing you have to do is figure out where those people buy the kind of product(s) that you plan to make (farmers markets, cheese shops, Whole Foods), where those places are (identify a local urban area), how many of those people are in that location, how much they tend to buy, and the estimated percentage of the population that you think will actually buy your product.



You will generally find this information on Chamber of Commerce websites, in Agriculture or Community Build-Out Plans, in Rural or Urban Development Plans, from local Extension or IDA offices, at County Government, or by asking a librarian. Non-Governmental Organizations (NGO's) also tend to have consultants write feasibility studies for certain areas that look into value-added goods and the feasibility of making and selling these products. These plans will often include this type of information. Try to find a current one and adapt the format and update the data with current data from the above sources.

Where you are relative to market

Traditionally, fresh products were made close to urban areas. This is because the “shelf-life” of these products is not great and the product had to get to the customer in a timely manner. For the on-farm processor, it costs you every mile that the refrigerated truck goes down the road. It is ideal to be as close to the customers as you can be, or you will lose all your money to distribution.

In the past, butters and cheeses that had shorter aging times were made by farmers farther away from urban areas, but not too far to make traveling to those areas a burden. Today, this would also be applicable to those planning to do Farmer's Markets or other direct to customer sales. You want to be far enough away, but close enough that you are not exhausted by a return trip.

Traditionally, the next group of processors were the cheesemakers. They often sold their product once a year to the dealers. Cheeses were “green (young)” or aged for a year. For those people who live in remote areas, this product is for you. UPS and FedEx can distribute product. You can sell when you have access to the outside world. If your road is closed 4-months out of the year, you should not be selling fluid milk. People cannot get to you.

What is it that you are going to make? Products are generally broken down into

- Cash Flow Products – These are generally “fresh-pasteurized” products. You sell them in a short amount of time. They do not make you a lot of income, but they cover costs, use of milk, and pay the bills (hopefully) on time. Examples are fluid milk, butter, cream cheese, ice cream, etc.
- Profit Products – These are generally products that make a good return on your investment. Raw milk aged cheese tend to fall into this category. Some of these can be fresh-pasteurized ones as well, like fresh mozzarella. There is more to making it, and you either have a larger investment in time, inventory, or they are a pain to make (fresh mozzarella).

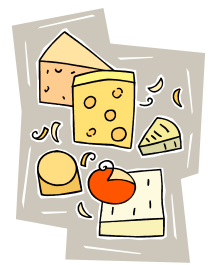
For the beginning operation, you need to have a mixture of both. This assumes that you do not have an outside source of income that pays the bills until the Profit Products roll out the door. It is normal to see those products go by the wayside after a number of years once the “name” products start to pay their way and make you money.

When trying to decide what to make, go to the workbook section titled “What do I Make” to help you think through the many factors that should influence your decision of what products to provide.

When you can sell the product is based on a seasonality of milk production and if the product has to age. You can milk seasonally and have product to sell year round. You can also make product year round, only to sell at seasonal Farmer's Markets.

In this worksheet, you are identifying what you plan to make, when you plan to make it, and when you plan to sell it. This will be used in the business plan.

Variety (or Product)	Production Season	Available to Purchase



Why you are making this product is the niche. Is it a product traditional to your area? Is it a product that is made from a traditional recipe found in a Treaties of Agriculture from the 1800s? What is so special about what you offer? For the customer, they also want to know the benefit to them. Is it organic? For example, some of the heritage dairy breeds are known for small fat globules, which breed associations say is easier to digest.

Use this section to outline the product niche. Why is your product unique? Why should the customer want to buy it?

How do you plan to get it to the customer? Some things you have to consider:

- Do you have time to distribute this stuff yourself?
- How much time will a Farmer's Market take up?
- How tired will I be after a Farmer's Market?
- Is there a distributor?
- What is the mark up to distributor?
- When does that distributor pay?
- Does the distributor have a reputation for paying on-time/at all? (do not sign exclusive deals if at all possible)
- When do stores/restaurants, etc want product dropped off?
- When do you call stores/restaurants?
- Who is going to do the sales calls?
- How much money do I need to make on a distribution route to make it worth the time?
- Is there another farmer (with like products) going to the store/restaurant/ CSA already? Will they carry my stuff?
- You will also need to identify your potential “Trade Areas”. In some states, you will need to identify this in your request to start a dairy processing venture.

In this worksheet you will identify what you will sell, where you will sell it, and % as wholesale/retail. If you plan to distribute say that and if you plan to use a distributor, include that.

Year One

Year Two
Year Three
Year Four
Year Five

Notes: