

# Planning for a New Commercial Vegetable Business



Planning is the key to success when you're ready to invest in starting a vegetable-production business. Poor management and lack of planning are, in many cases, the primary causes of business failure. **Figure 1** shows some important items to consider before starting a vegetable business. It all starts with planning and goal setting. Remember to write down your plan; having a written plan will help with accountability.

In any business enterprise, it is necessary to identify a market for your products. Given the perishable nature of vegetables, you need to know where you will be selling your crop before you even start planting. It is important to secure customers or buyers for your product before you make any significant financial investment.

Other elements you must evaluate beforehand are infrastructure and capital requirements for producing, harvesting, handling, and marketing your products. Postharvest handling (e.g., cooling) activities are very important to maintain the freshness of your product. You must have the proper infrastructure in place, especially when working with a large buyer with strict requirements. Remember that quality (appearance, taste, ripeness, packaging, etc.) is a crucial factor for vegetable marketing.

## Goal Setting

First, identify what your financial and personal goals are. It is important to determine how much income you expect to obtain from your vegetable enterprise and how much you will need to earn in order to cover farm and living expenses. When identifying the size of the farm you want to have, remember to take into account the resources you have available. If you want to run a large farm but lack the resources and knowledge needed, your best option may be to start smaller and outline a sustainable growth plan. When setting your goals, also include objectives and activities that will help you accomplish your goals. These should be specific, quantifiable, and time-bound.

## Marketing Plan

Given the perishable nature of vegetables, you must plan a system for harvesting, handling, and selling your produce. It is important to have a marketing plan that outlines what, where, when, and at what price you will sell.

### What to sell?

Some factors that can help you determine what crops are best suited for you are product profitability, skills

Goal Setting	Marketing Planning			Production Planning
Financial and personal goals	Identify crops to grow	Identify buyers	Identify when to sell and at what price	Production planning
<ul style="list-style-type: none"> <li>• How much income do you want from your vegetable business?</li> <li>• How much time do you want to invest in your vegetable operation?</li> </ul>	Analyze crop options based on <ul style="list-style-type: none"> <li>• Profitability</li> <li>• Market demand</li> <li>• Resources needed and resources available               <ul style="list-style-type: none"> <li>–Capital</li> <li>–Land</li> <li>–Labor</li> </ul> </li> </ul>	Analyze market outlets based on <ul style="list-style-type: none"> <li>• Volume to sell</li> <li>• Crop diversity</li> <li>• Price premium</li> <li>• Special requirements (packaging and certifications; e.g., GAP)</li> </ul>	<ul style="list-style-type: none"> <li>• Seasonality factors</li> <li>• Extending production season (e.g., greenhouse or high-tunnel production)</li> <li>• Price should cover production and marketing costs.</li> </ul>	<ul style="list-style-type: none"> <li>• Seedling and planting schedule</li> <li>• Harvesting schedule</li> </ul>

Figure 1. Planning process for a new commercial vegetable business.

required, level of care needed, labor time and cost, and capital required and available. Some crops may be more profitable, but they may also be more labor-intensive. If labor is restricted in your area, then these crops may not be the best option. Another alternative is niche marketing, which could be a good option for producers with limited cropland. Organic vegetables and specialty vegetable varieties are two examples of niche crops. Also, consider different crops that can be produced during alternate times of the year.

### ***Where to sell?***

Depending on the size of your operation, there are various marketing options:

- Direct-to-consumer marketing
- Farmers' markets
- Community-supported agriculture (CSA)
- Roadside stands
- Direct sales to restaurants or local supermarkets
- Food hubs
- Wholesale markets

First, know your desired buyers and what they care about. Some buyers have more strict requirements. For example, hospitals, wholesalers, and some supermarkets may require that you follow good agricultural practices (GAP) and other quality certifications. Volume, product diversification, handling, packaging, and product transportation requirements will also depend on the type of buyer you work with. If you are working with large retailers or wholesalers, sometimes you have to supply larger quantities and specialize in one or a few crops. If selling at a farmers' market, then lower volume and vegetable variety are more important.

If you are planning to manage a medium or large vegetable farm, then wholesale (intermediaries) and retailers may be a better choice. If you plan to have a larger-scale farm, it is important that you start to nurture relationships with distributors, supermarkets, or other large-volume buyers. It is also beneficial to have buyers lined up before production, which can significantly reduce your risk. Direct-to-consumer marketing can be a better option if you desire to have a small-scale operation. As of summer 2017, there were around 93 farmers' markets in Mississippi. For a list of farmers' markets in Mississippi, visit the Mississippi Department of Agriculture and Commerce website at <http://www.mdac.ms.gov/bureaus-departments/farmers-market/markets-mississippi/>.

### ***When to sell?***

Seasonality is an important factor in vegetable production. Prices are lower during the typical production season. You can get higher prices if you offer the product outside of the usual supply time for growers. Alternative production methods such as greenhouse production or high tunnels allow you to extend the harvest season and get higher prices. However, these production methods also require a higher capital investment.

### ***At what price?***

Prices vary across market channels. Prices in direct-marketing channels such as farmers' markets are generally higher than wholesale prices. It is also important to negotiate prices. In order to negotiate the price, you need to be informed about price trends and prices received by other producers. For reference prices, you could refer to weekly Wholesale Terminal Produce Prices information (<https://www.marketnews.usda.gov/mnp/lfv-report-config-step2?repType=wiz&type=termPrice&locChoose=location&commodityClass=allcommodity&run=Run>). While these prices include some additional fees, they can give you an idea of price trends. In order to price your product, you must first know your production costs, including the cost of your labor, transportation, and marketing. To identify what your production cost will be, a good reference point is the state vegetable budgets (<https://www.agecon.msstate.edu/whatwedo/budgets.php>). It is also important that you develop enterprise budgets for each of your crops.

## **Production Planning**

Once you have a clear idea of what you want your farm business to look like, what you want to produce, and where you will sell your product, you need to establish a production plan. Some factors to consider are listed below.

- **Capital needs:** Identify all the investment and cash operating needs and how much you will need to borrow.
- **Infrastructure and equipment:** Identify what equipment you need for the crops you will produce. In addition, depending on packaging and handling requirements, identify what type of infrastructure will be needed.
- **Management:** Identify the production, management, and marketing skills necessary to make your enterprise successful. If you do not have those skills, identify ways to acquire them, which could include hiring additional labor.

- Planting and harvesting schedule: Plan the best timing for planting and harvesting your crops, based on plant varieties and availability of labor. Remember to plan your planting dates based on your harvest schedule (e.g., customer demand).
- Postharvest and sanitation: Postharvesting needs (sanitation, handling, and cooling) are important aspects that need careful thought. Cooling is necessary to delay produce spoilage and keep it fresh. When the product is not sold and delivered immediately after harvest, a cold storage option may be needed.
- Enterprise analysis: Keep good production and financial records to help you make good decisions in the future. Use records to identify problems that need to be solved and to identify what practices and crops are more profitable for your business.

## Important Links

Cornell Cooperative Extension of Tompkins County Guide to Marketing Channel Selection: How to Sell through Wholesale & Direct Marketing Channels. Available at: <https://smallfarms.cornell.edu/wp-content/uploads/2014/07/Guide-to-Marketing-Channel-1ib5phn.pdf>

Mississippi Department of Agriculture and Commerce. Farmers' Markets in Mississippi. Available at: <http://www.mdac.ms.gov/bureaus-departments/farmers-market/markets-mississippi/>

Mississippi State University. Department of Agricultural Economics. Planning Budgets. Available at: <https://www.agecon.msstate.edu/whatwedo/budgets.php>

USDA Agricultural Marketing Service. Weekly Wholesale Terminal Produce Prices information. Available at: <https://www.marketnews.usda.gov/mnp/fv-report-config-step2?repType=wiz&type=termPrice&locChoose=location&commodityClass=allcommodity&run=Run>

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