

Direct and Indirect Marketing Options for Small Ruminant Producers

Small ruminant producers must understand the advantages and disadvantages of direct and indirect marketing options to successfully market their animals.

The meat goat industry is one of the fastest growing components of agriculture in the United States. The sheep industry has experienced a declining interest in wool sheep, but there is increased interest in raising hair sheep as a meat-type sheep. The significant influx of immigrants to the United States who prefer goat and lamb meat creates an ideal opportunity for marketing goats and sheep. However, potential and existing producers may have limited knowledge about effective marketing options.

Direct and indirect marketing opportunities for small ruminants exist. Potential and existing producers need to evaluate their options so they can determine the most efficient and economically beneficial outlet for their products.

Direct and Indirect Marketing

Livestock marketing involves two components: (1) activities associated with the physical movement and transportation of livestock, and (2) pricing or placing a value on livestock. Direct marketing buyers acquire livestock directly from a farm rather than going through an intermediate market or party. Direct marketing serves well for farmers who are not in a hurry to sell their animals and who desire maximum price. Indirect marketing involves the movement of livestock with the services of an intermediary (middle man). It is ideal for farmers who need to move an animal at any given time.

In most situations, direct marketing brings more money to the livestock farmer. No intermediary is involved to receive payment for services. Direct marketing may require more forethought and effort on the part of the seller, but the revenue goes directly to the producer.

The seller must effectively and efficiently market the product in order to receive a premium price. This may require establishing contacts, advertising, accommodating visits from potential buyers, negotiating prices, making processing accommodations, and delivery arrangements. All these factors will influence direct marketing options. Even when a sale takes place directly from the farmer to the buyer, processing and transportation may become stipulations of the sale. For these efforts, the seller should receive a reasonable return after the transaction is complete. The producer is able to set the price of the sheep or goat and can sell it at a mutually agreed upon price or decline the opportunity if the price offered by a potential buyer is not satisfactory. The seller sets his or her own price expectations.



Direct marketing requires extensive considerations and involvement on the part of the producer. He or she needs to develop a marketing plan and strategy. The farmer becomes more than a producer; he or she becomes a *marketing specialist*. The farmer must develop an understanding of potential buyers, their preferences, their needs, and how to effectively target potential clientele. Research is necessary to understand potential clientele's ethnic backgrounds and preferences such as the age, sex, and type of animal they prefer. The producer must identify how to reach the target clientele and what promotional efforts will have significant results yet remain cost effective. Effective media outlets for reaching potential buyers include classified advertisements, flyers, radio advertisements, and the Internet. All effective advertising requires knowing consumer preferences, developing strategies, and being willing to evaluate and modify actions as needed.

The seller must consider processing and logistics when planning for direct marketing. Another consideration for the seller is whether the animal will be processed on site or hauled to a processor, or if the buyer will be responsible for making necessary arrangements. If the animal is processed on site, determine who will dispose of the offal. Is there an extra charge for processing on site? The farmer must decide if he or she wants to deal with processing and must understand what obligations are implied. The best option may be for the seller to specify up front that processing is not allowed on site and that the buyer is responsible for further processing arrangements. The seller must also consider if the animal is to be transported and if a transportation fee is involved.

In an indirect marketing situation, the intermediary receives a percentage or commission of the sale. In most cases, indirect marketing involves a producer taking the product to a livestock sale barn, production sale, or herd dispersal sale. In any of these situations, an intermediary



assists with the sale transaction and receives a commission or percentage from the sale. After the animals leave the sale site, they may move to another farm, sale facility, or processor.

Indirect marketing is fairly simple. Options include a production or specialty sale/auction or the transportation of animals to a livestock sale barn where they are auctioned for the highest bid. In a production or specialty sale, the producer makes arrangements to list his or her animals in a sales catalog with a sales facilitator several months before the sale date. A modest amount of paper work is involved; terms, fees, and contracts are established long before the sale takes place. Minimum bids may or may not be set before the sale. These types of sales often take place at a livestock show facility. Internet sales are becoming more popular because they bring additional buyers into play. Production or specialty sales generally will bring more money per animal because these types of animals are to be used as breeding stock or show animals, and buyers are willing to pay more for high-quality animals. In this situation, the seller has no control over prices bid by potential buyers.

In a sale barn situation, the animals are delivered by the seller to a local livestock sale barn. Upon delivery, the animals are identified (tagged) based on seller; graded or sorted according to weight, age, or visual evaluation; and placed in pens until the auction begins. Sellers sit in the audience and observe the bidding process or

they may leave after dropping off their animals and receiving a receipt. As each animal or group of animals enters the ring, the auctioneer calls off prices and buyers in the audience bid. The sale price is determined by the buyers in the audience. If there are not any serious or commercial buyers, the bid prices may be low. If there are serious individual buyers and commercial buyers, the bid prices will likely be driven upwards. Prices bid by commercial buyers may be affected by potential market demand and possible excessive supply. During peak market demand and upcoming ethnic holidays, prices will increase. During the summer, bid prices are generally low because demand is lower and supply is plentiful. In a sale barn situation, the seller has no control over bid prices.

Summary

In direct marketing, no sales commissions or fees are involved so all monies from the transaction go directly to the farmer. For this reason, direct marketing tends to be more beneficial to the producer. In an indirect market, a portion of the money from the final sale goes to the intermediary and the remainder to the producers, so it is likely the amount the producer receives is less than a direct sale. After all, final buyers are not willing to pay extra because an intermediary was involved. Indirect marketing involves a service, and intermediaries expect to receive fair compensation for their services.

Direct marketing is not as simple as it may appear. Involvement and commitment by the farmer are required. However, the proceeds from the sale go directly to the seller. Indirect marketing is a fairly simple process with little involvement on the part of the producer. As a manager and marketing specialist, each farmer must determine which marketing option best serves his or her circumstances. Choosing a mixture of each is always an option, depending on the situation. Time, effort, and returns are the primary considerations when choosing a

marketing strategy, and each farm situation varies. There is no correct answer when evaluating direct or indirect marketing. Each producer must determine what works best for them.



UNP-96

Robert Spencer, *Urban Regional Extension Specialist*, Alabama A&M University

For more information, call your county Extension office. Look in your telephone directory under your county's name to find the number.

Issued in furtherance of Cooperative Extension work in agriculture and home economics, Acts of May 8 and June 30, 1914, and other related acts, in cooperation with the U.S. Department of Agriculture. The Alabama Cooperative Extension System (Alabama A&M University and Auburn University) offers educational programs, materials, and equal opportunity employment to all people without regard to race, color, national origin, religion, sex, age, veteran status, or disability.

New May 2007; UNP-96