

Farm diversification new business ideas – Adding Value to Farm Produce

Farm shop

Key points to consider

- A farm stall or shop is an effective way to add value to farm produce.
- There is an increasing demand for healthy and naturally produced foods.
- Farm shops offer:
 - Direct contact with the producer/processor;
 - Farm fresh produce from a local source;
 - Opportunities to develop niche product lines;
 - A relaxed atmosphere in pleasant rural location;
 - Access to the countryside for the public.
- To operate profitably the farm shop should be:
 - Open at weekends and in the evenings;
 - Located on a busy road or near an urban area.



Market overview

Many farmers in Northern Ireland already offer sales at the farm gate, but to create a profitable enterprise that can operate all year round a more permanent outlet may be needed. It is difficult to estimate the number of farm retail outlets in Northern Ireland but if there are no farm shops operating in your vicinity there may be a market for one particularly if you are located on a busy road or near an urban area.

Consumers are increasingly interested in how food and other farm-based products are produced. There is an increasing demand for healthy and organic foods and foods which are perceived as 'pure' and unmodified. Quality and freshness are major selling points. Speciality produce will also attract customers, if you can offer something unique, this can command premium prices.

You will be competing with local supermarkets and shops so to attract customers your shop must offer something that is not available in local shops. The public expects shops to be open in the evenings and at weekends. Linking your farm shop with other attractions either on your farm or in the local area will attract more customers.

Opportunities also exist for selling farm produce through local markets such as the Belfast Farm and Speciality Food Market held weekly at St George's Market, Belfast. The Farming and Retailing Movement, FARM (NI) is a co-operative association of farmers and small speciality food producers which retails produce directly to the public. The aim of FARM (NI) is to develop farm retail opportunities, educate consumers on local food production and develop the retailing and marketing skills of its members.

Retailing is a challenging experience requiring different skills to farming and a farm shop enterprise is likely to be much more successful if the entrepreneur has a natural flair for business.

Service delivery requirements

Facilities

Retail outlets can be as small as a temporary stall at the farm gate selling seasonal products, or can be a market stall, farm shop or shop in a town. Temporary stalls are allowed to operate for a maximum of 28 days per year. Few farmers will choose to operate a shop in a town because of the high cost involved. A shop on the farm perhaps making use of a redundant farm building may be a more attractive option.

Location

The location of the farm shop is important and ideally it should be visible and easily accessed from a busy road. Is there a large residential area nearby? Are you on a busy main road? Does your site have visual appeal? Since image is a key factor the building used must be tidy and attractive. First impressions are formed quickly and are difficult to change. Look at your shop through your customer's eyes and consider the following:

- The safety of access from the road;
- The attractiveness of the approach;
- How sufficient, safe and secure parking will be assured;
- How will disabled visitors be provided for.

In the interest of animal health and disease prevention it will be important to keep farm and visitor traffic apart. This may mean the need for a separate entrance.

Stock

In planning the operation of a farm shop you should take into account what changes you will need to make in the amount and type of crops grown on your farm. Consider also the availability of produce which can be bought in for resale.

The main kind of produce sold in farm shops is potatoes, vegetables, eggs and poultry, goat's milk, fresh fruit, jams, honey and cakes. It is important to have a good selection of produce and

to add to or vary it. Be prepared to experiment around your core products. Look at products you sell the most of, consider new products which are on offer elsewhere, do your customers want other types of product?

The shop must be kept very clean and the stock well presented. Advice on shop layout and matters of food hygiene and food safety is available from Loughry College.

Advertising

You will need to advertise the shop especially in the early days and when you want to highlight new stock items and seasonal produce such as fruit. An editorial or advertising feature in your local press is a good, economical means of doing this. Running and publicising well a farm shop open day can also attract customers. Roadside signage will help customers find your shop (will require planning permission). Signs should be constructed from durable materials, kept clean and show:

- your shop name and logo;
- simple directions;
- type of products sold;
- hours of opening.

Surveys indicate that people who shop in farm shops do so on a regular basis. Drawing up a list of regular clients who can be directly targeted can help with promotion of the shop. Good service leading to customer satisfaction is a key factor in success.

Legal requirements

You will need planning permission for a new building or change the use of an existing farm building to provide premises for a shop. Planning permission is also required if products are bought in to resell and if you put up signage. Adequate car parking will be essential. If the entrance to the farm has to be changed to allow better access you may need to consult the Department of the Environment, Roads Service.

What Food Safety regulations will apply? There are strict environmental health regulations about food, hygiene, and labelling. Speak to your local environmental health officer. You will also need to be aware of trading standards regulations governing trades descriptions, weights and measures and the sale of goods.

Premises used as a farm shop are liable to be rated at business rather than agricultural rates. Additional insurance might be required to cover new buildings, fixtures and cash from sales and to cover occupier's and public liability.

Financial considerations

Sound financial planning is the basis for a profitable farm shop. A realistic forecast of sales, costs and capital balances is necessary for decision making and financial control.

Capital costs

The minimum fixtures required are a counter and a cash machine. Installing chill cabinets and freezers can be costly but may not be required depending on the produce offered. Allow for a storage area of about one third of the sales area and if possible have separate entrance to storage rooms. Insulation is important if selling fresh food as it helps avoid extremes of temperature. The cost of building a permanent shop on a farm is estimated at £70/sq.ft. The cost of setting up a fully equipped shop is estimated at over £30,000.

Running costs

These include casual labour where farm family members are not available, packaging, cost of wastage, and overheads such as rates, heat and light, advertising and insurance. There may be additional labour costs for the farmer, associated with more frequent picking of vegetable crops.

Returns

These will vary depending on the size of the outlet and products on offer. Retail prices for fruit and vegetables can be up to 100% higher than wholesale prices but the price you charge should be set in relation to demand and local supply. Most foods are zero rated for VAT.

Further contacts

For further information on the Farming and Retailing Movement FARM (NI) and the Belfast Farm and Speciality Food Market contact:

Maurice Patton
100 Comber Rd
NEWTOWNARDS
Tel: 028 9181 2635

For information on environmental health requirements contact the Environmental Health Department of your local council.

For information on Trading Standards contact:
Northern Ireland Trading Standards Service
Department of Enterprise, Trade and Investment
176 Newtownbreda Road
BELFAST BT8 6QS
Tel: 028 9025 3900
Fax: 028 9025 3953
E-mail: tss@detini.gov.uk
Website: www.tssni.gov.uk/

For guidance with all types of food related projects contact:
Loughry College - The Food Centre
Food Technology Division
COOKSTOWN
Co. Tyrone BT80 9AA
Tel. 028 8676 8101
Fax. 028 8676 1043
E-mail: loughry.food.centre@dardni.gov.uk
Website: www.loughrycollege.ac.uk

This information sheet has been compiled by Rural Enterprise Advisers.

For advice and guidance on your farm diversification idea contact your local Rural Enterprise Adviser. For details of the adviser in your area:

Tel: 028 9052 4406.
E-mail: ruralenterprise.afds@dardni.gov.uk
Website: www.ruralni.gov.uk/farmdiversification

Note: the information provided herein is for general information only. It is not necessarily complete and is not intended to address the specific circumstances of any proposed enterprise. The market and circumstances may change substantially. Further research will be required before embarking on any new enterprise.

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