Checklist for Business Success: Organic Vegetable Production

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Introduction

Organic agriculture has attained significant importance in recent years due to growing concerns on health and food safety; the "Buy Local" movement has also favored organic production practices. According to 2007 Ag Census, about 14,540 certified (or exempt) farms produced and marketed organic agricultural products in the U.S. Over 78 percent of these farms expressed an interest to increase or maintain their organic production levels.

The revenues of farms with organic production practices are higher than that of conventional farms (60 percent more on an average). But the costs are also substantially higher with organic farming (56 percent on an average). This fact sheet provides strategies and tips to control costs and address critical issues that are important in the context of organic vegetable farming.

Critical Issues

Volatile Yields

Organic farm yield levels are generally less than that of conventional farming due to weather and disease problems; farmers should try to achieve at least 70 percent to 80 percent of conventional farm yields.

Dependence on Labor

Mechanization can reduce labor intensity in organic farms; but the farms may be forced to specialize in one or fewer crops at a large scale to justify mechanization and reduce the average costs (economies of scale).

Supply Chain

Consistent delivery of outputs, use of high quality inputs and support services govern the success of organic farms.

Prices and Revenues

Seasonal production and marketing efforts affect organic farm profitability.
<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Example</th>
<th>How do you address this opportunity in your business?</th>
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</thead>
<tbody>
<tr>
<td>Attractive product presentation</td>
<td>Produce that is attractively packaged and labeled conveys superior quality and can sell at a premium price (more than two times as much as non-attractively packaged and labeled produce).</td>
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<td>Experienced workforce</td>
<td>Staff members should be knowledgeable and capable of addressing customer concerns. Regular training on production and customer service concepts can improve farm profits.</td>
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<td>Proximity to key markets</td>
<td>Direct marketing and locating close to a city (highly populated areas and tourist destinations) can be successful.</td>
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<td>Ability to control stock on hand</td>
<td>Proper inventory management, identification of alternative retail channels and adding value by processing fruits and vegetables can all help to cut costs.</td>
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<td>Production of goods currently favored by the market</td>
<td>Heirloom varieties classified as unusual have risen in demand (for instance, tomato varieties such as Early Girl, Pink Lady and German Johnson).</td>
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<tr>
<td>Economies of scope</td>
<td>Farms offering a variety of products attract customers. Year-round availability of different products improves customer loyalty.</td>
<td></td>
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Pictures: USDA, farmedhere.com, greenbankfarm.biz, google.com, gourmetfury.com, 1zoom.net
References: USDA Ag Census (2007), IBISWorld Industry Report, First Research (Mergent DNB)