

Kentucky Horticulture Continues Expansion in 2002¹

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Kentucky's horticulture industry continued to expand in 2002. Vegetable producers enjoyed prices rebounding from low 2001 levels. Fruit producers experienced strong or steady prices, especially at the Farmers' Market and farm retail level. The Kentucky Agricultural Development Board continued to earmark tobacco settlement funds for agricultural diversification projects. Counties that have devoted significant amounts of funds to county diversification programs are located in Kentucky's strongest commercial horticultural areas—the I-75 corridor and west central Kentucky. Proper management of these funds promises to aid farmers continuing diversification efforts into the horticultural sector. Initiatives like the New Crop Opportunities Center, The Kentucky Center for Cooperative Development, and Kentucky Horticulture Council have expanded considerably to support this growing industry.

Annual vegetables represent the largest portion of produce sales in Kentucky. Tree fruit production continues in small acreages, largely aimed at direct retail markets, while some expansion has taken place with small fruits and grapes. Exact wholesale sales data is difficult to track currently, but total sales for 2002 will probably fall in the \$12-\$15 million range. A significant additional volume goes through direct marketing channels. A recent survey of Kentucky produce marketing indicated a little over half the produce is sold through direct marketing channels.

There are currently 81 community farmers markets active around the Commonwealth. Some of the larger farm markets reported gross sales in the \$800,000 plus range and most markets in Kentucky have expanded membership and facilities. The Kentucky Farm Bureau Certified Roadside Market program continues to expand, representative of the increased interest farmers are showing in selling produce directly from their farms.

Vegetables

Squash and Pumpkins

Kentucky pumpkin acreage continues to expand, approaching 1,000 acres in 2002. Due to continued expansion in Tennessee, regional wholesale prices for pumpkins remain stagnant. Pumpkin profitability in Kentucky is driven by local wholesale/retail sales and value added marketing. A significant number of the pumpkin acres will be marketed through direct sales. Planting intentions for pumpkins in 2002 were up 27.5% in Kentucky from a year ago.

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This article presents information on the economic situation and outlook for Kentucky agriculture and is intended to assist farmers, agribusiness professionals, Extension field staff, and others with interest in agriculture and agribusiness. Information presented here is based on the most recent information and research available. However, the rapidly changing economic and policy conditions for agriculture limit the usefulness and life span of conclusions and recommendations cited here. Decision makers should keep these facts in mind. Feel free to use the information included in this publication for other uses, but please provide professional citation about the source. This paper is published without formal review and the views expressed are those of the authors and do not necessarily reflect the views of the University of Kentucky, the Agricultural Experiment Station, or the Cooperative Extension Service.

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Winter squash acreage can expand if storage and out-of-season marketing arrangements for winter varieties are obtained by marketing groups/co-ops. In a summer 2002 survey, several Kentucky wholesalers and co-ops indicated favorable future marketing opportunities for winter squash in Kentucky.

Cole Crops

Fall cole crops (broccoli, cabbage, cauliflower) are thought by many to be an area for expansion in Kentucky's fresh produce industry. Fall acreage of these crops is minimal (less than 150 acres), but should increase by 9-10% in 2002.

Bell Peppers

Bell peppers have emerged as one of the most profitable crops for Kentucky vegetable producers. Strong demand and variety diversification drove pepper acreage to a five-year high in 2002. Commercial producers report net returns to land, management, and capital often exceeding \$2,000 per acre, depending largely on irrigation costs. Substantial expansion of pepper acreage has been seen in west and central Kentucky.

Melons

Cantaloupes and watermelon prices rose nationally in 2002. Boosted by school lunch contracts, commercial seedless watermelon production expanded in Kentucky in 2002. Nationwide, seedless watermelon prices are consistently higher than seeded watermelon prices. Specialty and seedless melon production continues to offer a good niche for market development in Kentucky.

Sweet Corn

After peaking at over 1,000 acres in 2001, the west Kentucky sweet corn deal cut back to 800 acres in 2002. Some growers did not weather lower-than-breakeven prices in 2001, but those who stayed in the market this year enjoyed a nine-percent increase in sweet corn prices in July. Expansion is expected above 2002 levels in 2003.

Tomatoes

Tomato price trends generally followed sweet corn prices during the 2002 season. After prices remained lower to steady through June, July field-grown tomato prices increased by nearly 10 percent over 2001 levels. Tomatoes continue to be a profitable tobacco alternative for Kentucky farmers, although some producers faced some adversity with market coordination in some of the coops.

Fruits

Tree Fruits

Kentucky's apple production is expected to decrease from 9 million pounds in 2001 to 8 million pounds in 2002. USDA forecasts place apple production down 4 percent nationwide in 2002. Kentucky wholesale apple producers not affected by weather, pests, or age of plantings will probably see higher prices than last year's average 29.1 cents per pound. Some assistance through the state ag development board has been given to cider press establishment for producers wishing to add value to apple production.

Pear and peach production remain minor parts of Kentucky's fruit economy. Some interest continues to be generated in commercial paw-paw production, with market development required beyond local Kentucky markets for commercial viability.

Small Fruit

Grapes

Wine grape plantings in Kentucky continue to increase at an aggressive rate. There were less than 100 bearing acres of wine grapes in 2002. There are about 150 non-bearing acres of wine grapes that will enter production within the next several years. Plantings are slated to continue, and over 300 bearing acres of wine grapes in Kentucky are anticipated in five years.

Kentucky grape growers must depend on local wineries for purchasing much of their production. Expansion of the eight grape wineries in Kentucky, and addition of new wineries, will be critical for grape profitability. Regional wholesale grape price ranges (IN, OH, TN, MO) have been relatively strong in the past few years, but still border on price levels that are dangerously near Kentucky breakeven wine grape prices. For this reason, those considering wholesale wine grape production will want to ensure high quality production for local winery markets to capture profits above breakeven levels.

Berries

Berries continue to be one of the most profitable small acreage crops available for Kentucky producers willing to invest considerable startup capital and time into a new enterprise. Kentucky consumers continue to demand fresh berries in-season, and berries receive good press nationwide. Recent claims for the health benefits of blueberries have especially helped increase blueberry demand.

Kentucky blueberry acreage continues to increase, with 100 acres in production this year and 40 more acres expected to enter production by 2004. Blackberry acreage is also slowly increasing (90 acres in 2002 with 25 additional anticipated in 2004), while strawberry acreage holds steady at 200 commercial acres.

Dry weather during 2002 had some effect on overall berry production and again demonstrated that irrigation is essential to guarantee berry production. Berry producers also face considerable risks posed by pest problems, which are best alleviated on a case-by-case basis.

Research on berry disease management will be critical for commercial producers facing the 2002 phaseout of Benlate, a fungicide manufactured by DuPont that is a critical part of many berry spray programs. More expensive alternatives to Benlate may reduce profitability; resulting disease problems could also reduce yields. But berry prices continued to stay strong in the Southeast in 2002 and producers with high-quality, well-managed berries will continue to reap economic rewards for their investment in berries in 2003.

Floriculture

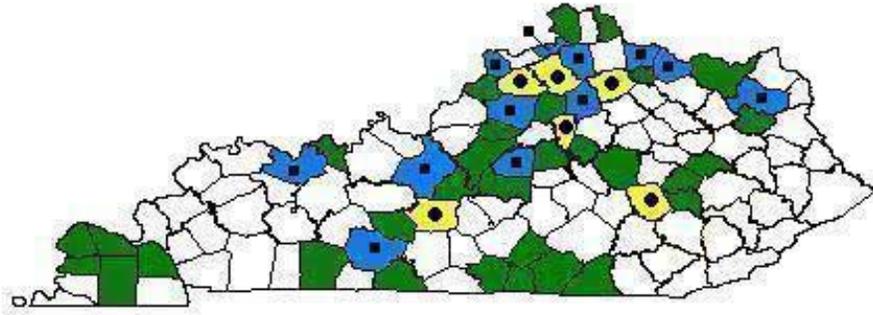
Some aggressive expansion continues to occur in the wholesale greenhouse segment of Kentucky's floriculture industry. During the past decade, Kentucky nursery and greenhouse receipts peaked at \$62.5 million in 1997. Receipts for 2001 were \$57.1 million and are expected to increase by another \$1 million in 2002. The growth in Kentucky's floriculture industry is coming from businesses with more than \$100,000 in sales.

Agricultural Diversification Program

Many counties have established a cost-share program aimed at helping producers enter or expand their horticulture enterprises. While these funds are not restricted to horticultural ventures, this is the focus of the program. The Kentucky Agricultural Development Board earmarked \$4.2 million in

tobacco settlement funds for agricultural diversification projects in 2002. Counties that have devoted significant amounts of funds to county diversification programs are located in Kentucky's strongest commercial horticultural areas—the I-75 corridor and west central Kentucky (Fig. 1). Proper management of these funds promises to aid farmers continuing diversification efforts into the horticultural sector.

Figure 1 KY Agricultural Diversification Program.



County Appropriations

- \$200,000+
- \$100-200,000
- Other shaded areas less than \$100,000

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