Feasibility Study for Kentucky Regional Marketing Facilities

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FEASIBILITY STUDY FOR KENTUCKY REGIONAL MARKETING FACILITIES

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Introduction

Because of the perceived threat to Kentucky's number one cash crop, tobacco, and in the interest of supporting family farms, the Kentucky Legislature passed HJR 63. HJR 63 directed the Kentucky Department of Agriculture to conduct a study on Regional Farmers' Markets answering the questions:

1. What have other states done in regard to state funded regional farmers' markets?
2. What is working or not in their efforts?
3. What should Kentucky do in regard to state funded markets?

This report is in response to HJR 63, in fulfillment of their request.

Recognizing national trends is important in determining the need for public marketing centers in Kentucky. The USDA reports in the recent publication of the *Farmers' Direct Marketing Newsletter* that farmers markets have increased by 57% over the last four years. These markets serve millions of consumers and markets for tens of thousands of farmers. The USDA conducted a survey in 1997 with over 400 responding. Within the survey, 11,000 farmers reported sales of approximately $70 million. Average sales per farmer was $6,000. The USDA estimated that actual sales ranged between $200 million and $400 million. See other important marketing trends in table 1.

There are over seventy community farmers' markets in Kentucky. Community farmers' markets are a place where producers meet at a specified time and location to market individually to consumers. Kentucky Department of Agriculture has recognized the importance of community farmers' markets and has supported them with promotional materials, small grants for advertising and improvements, and the *"Kentucky: Where Quality Grows"* promotional programs. KDA also has a list of all Kentucky community farmers' markets, their location and hours of operation in their 1999 Horticulture Directory, and on their website **www.kyagr.com**.

The USDA has plans to increase farmers' markets throughout the country. Small farmers (less than $250,000 gross sales) constitute 94% of all farmers and programs such as the USDA Farmer Market Direct Marketing Plan conducted by the Agricultural Marketing Service (AMS) is aimed at helping these farmers. The plan will create new direct marketing networks and a one-stop information clearinghouse. AMS plans to develop training and information programs for farmers' market managers and small farmers. Additional feasibility studies will be conducted to expand and develop farmers' market facilities. The

TABLE 1: IMPORTANT MARKETING TRENDS

	Key Statistics			
Increased in Direct Marketing	**1996**		**1998**	
	2,410 markets		2,746 markets	
Increased consumption of vegetables	1978		1998	
	110 (lbs. per capita)		163.1(lbs. per capita)	
Flat Commodity Prices	Flat prices through 1980's and 1990's for cattle, grain, and other commodity products.			
Successful Markets in other States	North Carolina sales--$130.2 million (1996) Virginia regional shipping point facilities			
KY Produce Farmers interested in marketing facility	Very Interested (%)		Somewhat (%)	Not (%)
	30%		40%	30%
Tourism	Percent of Market Sales to Tourists			
	KY	TN	NC	PA
	10.4%	17.1%	31.9%	52.3%

"Direct Marketing Web Page" has already been launched to help farmers, as well as a farmers' market hotline.[1]

A formula for success for a farmers' market does not exist. But there is one guiding principle that must be met. There must an adequate number of buyers and sellers for any public market to function. Without the buyers and sellers a market is certain to fail.

Market Functions

Traditionally, farmers' markets have been considered retail outlets where farmers "direct market" to the consumers. Today with agricultural consolidation and fewer distribution channels, farmers' markets have expanded to envelop even more marketing activities. Wholesalers are a fixture at regional markets in many states. Wholesale activities provide outlets for some farmers' products, and provide substantial rental income to the markets. Resellers also have joined the farmers' market scheme. Resellers typically buy from one area, transport the product to another area, and resell the products. Each of these activities is important. (Definitions of key terms and concepts are included in Appendix 1.)

Objectives

The objectives of the study are:

- to investigate other state-sponsored regional farmers' market programs
- to investigate the history and functions of regional marketing centers in other states
- to identify the necessary marketing components of the regional farmers' markets
- to investigate building designs and layouts of farmers' markets
- to give recommendations pertaining to market financing, site location, operation, and physical structures based on findings within Kentucky and marketing approaches in other states.

Data was collected through surveys and interviews. Many previously conducted surveys were used for this study as well as feasibility studies. Interviews were conducted via telephone with market managers in Alabama, Tennessee, Virginia, and North Carolina. One investigative trip was taken to visit markets in Knoxville, TN; Asheville, NC; Greensboro, NC; and Columbia, SC. Extensive research was also conducted using the Internet and numerous other feasibility studies from various states.

[1] The website for USDA Direct Marketing Newsletter is **www.ams.usda.gov/directmarketing.**

Eastern Shore Market, VA

Northern Neck Market, VA

Piedmont-Triad, NC

Knoxville, TN

Asheville, NC

Nashville, TN

Highlights from other States

Different states have chosen different paths when building regional farmers' markets. Each of the states listed above will be discussed regarding their involvement in particular state farmers' markets. For summaries on these markets see Appendix 2.

Alabama

Birmingham

> ***"The key to a successful market is competition among vendors… Our market has lots of competition. Others beg to come on the market."***
> ***--Danny Jones, market manager.***

Birmingham Growers Association was established in 1921. The 30-acre facility houses retail, wholesale, and resale components. There is also a flea market at the site. Within the thirty acres, there are covered bay areas around the facility, including four 35x200 ft. bay facilities and other larger facilities for wholesaling activities.

The market in Birmingham is privately owned and farmer operated. Loans come from private sources such as banks, and the market just recently paid off a $1,000,000 loan. Revenues are generated from gate fees charged to vendors. The fee depends on the size of the truck. A pick-up will be charged $4.50 for one day, a one ton truck is charged $6.50, a 10-wheeler $8.50, and a tractor-trailer is charged $11.50. Additional revenue is generated from certified scales on the premises, which generates nearly $100,000 yearly. The market covers all expenses and excess revenues are kept in the association to improve the market.

The Birmingham market operates 365 days a year, 24 hours a day. Total vendor sales in the market are approximately $400 million. Most of the sales figures are generated from wholesale activities where wholesalers have a business facility on site and buy and sell produce year round. Wholesalers sell produce from all sources and not just from Alabama or the Southeast. There is a waiting list for vendors to sell on the market, so the market location provides ample competition for farmers and wholesale firms. Wholesalers know the market exists, and this market is a hub for many surrounding states including Mississippi, Georgia, Arkansas, Louisiana, Tennessee, and Kentucky.

What's working at the Birmingham Growers Association:

- certified scales bring in over $100,000 yearly in revenue
- ample competition among vendors
- hub for wholesale activity to and from surrounding states- KY, GA, AR, LA, TN
- long history of operation

Because this market has operated continuously for almost eighty years the produce industry has developed using this market as a hub and trading center. Because of industry consolidation and the trend for large grocery chains to have their own distribution centers, the authors believe there is little chance of building a wholesaling market like this in Kentucky. An opportunity did present itself in 1995 when the Cincinnati produce district was displaced due to construction of a new stadium. The opportunity to relocate produce wholesalers to a regional marketing facility may have been lost as the Cincinnati wholesalers have either relocated to new facilities or gone out of business.

What is not working at the market:

- not enough space to satisfy vendor demand

Tennessee

The state of Tennessee decided they would build three regional farmers' markets. They allocated approximately $10 million to accomplish this. The location process became a political battle for the market in East Tennessee. One of the markets was built in what some consider an inappropriate location, and it has not thrived as expected.

> ***"Farmers are the number one priority. Along with Tennessee Department of Agriculture we work to promote Tennessee products."***
> ***-- Jim Cupit, market manager.***

Nashville

The metro government of Nashville runs the Nashville market. The mayor appoints five persons to a board of commissioners to oversee the operations of the market. This market has become self-supporting, covering all their operating costs. The market includes 10 acres leased to Nashville by the state of Tennessee. There are four outside sheds each 15,000 ft^2 and one 35,000 ft^2 enclosed building for vendors year round. The cost to build the Nashville market was $6.5 million, with half the money invested by state of Tennessee, and Nashville metro government matching those funds.

Revenues are generated by assigning five-year leases to vendors and wholesalers. Year round rent from the indoor wholesalers and vendors provide most of the market's revenue. There are also day vendors who pay a daily rate for a 10x20 ft. stall. The revenues for the 1998-year were $1,414,000, while the total costs were $670,000. Excess revenues are put into the long-term capital projects fund.

The market houses retailers, wholesalers, and resellers (peddlers). Indoor wholesalers and vendors include meat, seafood, and oriental foods. Vendors are currently on a waiting list, which gives the market the opportunity to screen applicants carefully. The market also has a strong food service component, which attracts many downtown business persons. The Nashville farmers' market contracts with a marketing agency to do a promotion every month.

What is working for the Nashville Farmers' Market:

- ample number of buyers in downtown Nashville
- good food service sector for downtown business persons
- connection with Tennessee Department of Agriculture
- high quality year round indoor vendors

What has not worked for the Nashville Market:

- market manager problems in the past
- not a wholesale market for Tennessee-grown products
- not enough room for all vendors wanting in the market

Knoxville

The Knox County Farmers' Market has had many difficulties in the past. First, the location was not suitable for the activity of the market. The market was not built near the major population center of Knoxville. Second, the building was not properly constructed for farmer use. The building only has one entrance for farmers and this has caused many traffic problems.

The market is currently in operation, but the main building is in need of repair, and vendors are not completely satisfied with the facility. The management is doing what it can to make the best of the situation, but the market has been unable to thrive due to a poor location, improper design, and lack of funding to adequately promote the market.

What is working at the Knox County Farmer's Market

- new management making decisions for market

What is not working at the Market:

- location
- design of building
- city/county politics influencing critical decisions
- not a wholesale market for Tennessee-grown products

White Pine

The state of Tennessee built a market at White Pine. Local counties and agricultural extension agents lobbied to build a market on I-81 in a rural area for local farmers to grow more produce crops and sell wholesale at this marketing facility. The state built a facility with certified scales, hydrocooler, forced air cooling and wholesale buildings. Several produce wholesalers and brokers have tried operating at the White Pine facility, but eventually left due to not enough produce available from local farms for them to handle. This is a clear case of not enough buyers and sellers.

The White Pine market is currently being used for dry storage by a water bottling company. It is not providing any benefit to local farmers at this time.

What is not working for the market:

- inability to retain wholesalers
- producers not prepared to use modern production practices necessary to produce for the wholesale market
- insufficient amount of local produce
- the farmers after a period of time leave the market and sell produce on their own; they have no commitment to the market

Virginia

Virginia has a different approach to farmers' markets. Virginia decided not to build any retail facilities that would compete with the grocers in the state. The Legislature said they would help the farmers sell their crops by building wholesale packing and shipping facilities for farmers to use. The first step was to form the Virginia Farmers' Market Board. The Farmers' Market Board then negotiates with a non-profit grower association for them to operate the market. The associations can then sublease areas of the market to fruit and vegetable dealers. The Virginia Department of Agriculture employs market specialists to help make contacts with buyers and promote sales from Virginia farmers.

Eastern Shore

The Eastern Shore location is a wholesale and resale market. There is no retail activity at this market. The state appropriated $2 million to buy 35 acres and construct a facility that is now run by a cooperative. The facility has four bays of approximately 4000 ft^2 each. Each bay contains one 1,000 ft^2 cooler.

"There is currently a waiting list to lease at the market. We need twice as much space."
--Jim Stern, market manager.

The Eastern Shore market receives no additional money from the state of Virginia. The State did guarantee the first privatized loan taken out by the market. Revenues are generated through charging rent to brokers. The cooperative is a non-profit organization and any revenues above expenses go back into a repair fund or to sponsor local agricultural events such as yearly scholarships, local agricultural shows, and an Internet site.

Vendors' sales are approximately $10 million yearly. This is for wholesale activity. Vendors are recruited through advertisement, and through a sales staff located at the market.

What is working for the Eastern Shore Market:

- wholesale activity generating revenues
- oversight board assured there would be an adequate number of buyers and sellers before the market was built
- having coolers in buildings
- sponsoring local agricultural events
- connection with Virginia Department of Agriculture Marketing Specialists

What is not working for the Market:

- more growth than market can handle

Northern Neck

The Northern Neck market is a shipping point market. The Northern Vegetable Growers Association has rights to the market, but they lease to Parker Farms. Rod Parker manages the day to day activities in the market and pays the Vegetable Growers Association to use the market. Of the produce going through the market, 95% is shipped to food retailers on the East Coast. Mr. Parker estimates that 90% of the total produce sold goes directly through his market. Approximately 30 farmers bring in fruits and vegetables to the shipping point market. The market facility includes a $3 million 60,000-ft^2 state owned building equipped with packing, cooling, and hydro-cooling equipment.

"One-hundred percent of the operating expenses are paid for by Parker Farms. We do not receive state money."
--Rod Parker, market manager.

Each vendor at the Northern Neck market must be licensed with a sales tax number. There is a federally trained inspector located at this site.

Revenues were approximately $8 million in the last six months of 1998. Though costs were not discussed, Parker noted the market was operating with profits. The State of Virginia pays for advertising for this market via the Internet as well as the other markets. Additional recruitment and sales are conducted through the market's sales staff.

What is working for the Northern Neck Market:

- packaging, cooling, and hydrocooling equipment
- agreement with Northern Vegetable Growers Association
- assistance from Virginia Department of Agriculture marketing programs

South Carolina

Columbia

Columbia Farmers' Market is located next to the University of South Carolina football complex. The facility is one of three built by the state and operated by the South Carolina Department of Agriculture. The Columbia market is self-supporting and provides retail, wholesale, and resale outlets. The state owns the 59 acres and all the buildings. The market was built in 1952.

Revenues for the Columbia farmers' market are generated through space rental and building leases. South Carolina farmers pay $4 for daily rental; others pay $6 for a space. Wholesale activity is predominate in this market. Wholesale generates a majority of the revenues for the market. The estimated yearly revenues received from operating the market are between $850,000 and $1,000,000. The vendor sales are estimated at $250,000,000 yearly.

The Columbia farmers' market has been renovated and is waiting for additional appropriations to continue renovations. A new shed for melons and peaches was recently built at a cost of $3.2 million. The market is in need of further renovations but no increase in budget allotment has been approved. The Columbia farmers' market is currently run with 34 employees, including management, gate personnel, security, janitors and inspectors. The market is in need of more help in order to keep the market clean.

Buyers from the market come from places including Ohio, Pennsylvania, Kentucky, Virginia and other states. The market has a promotions department and continues to use frequent promotions to recruit vendors and consumers. The market has an Internet site, road signs, and media advertisements. During the fall, the market rents seasonal parking for football games. This activity generates additional revenues during off peak times for produce.

What is working for the South Carolina Market:

- a produce hub for surrounding states
- large resale and wholesale activity
- operated by South Carolina Department of Agriculture

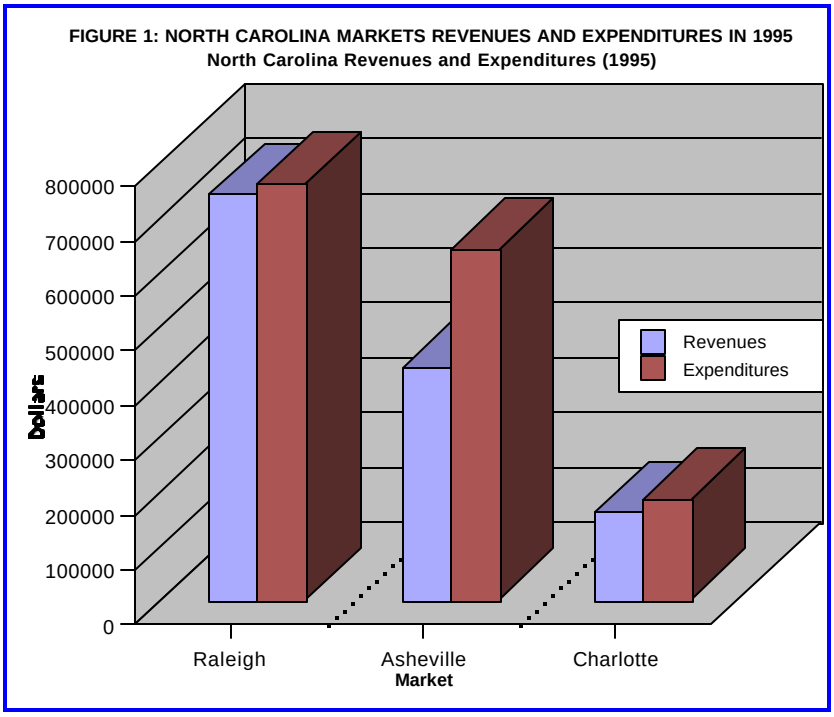
What is not working at the Market:

- lack of space for large wholesale trucks
- produce disposal problems
- no increase in budget allotment

North Carolina

North Carolina currently has five regional markets in operation. The market managers interviewed included those at Asheville and Piedmont-Triad. Like South Carolina, the North Carolina system is managed and operated by the State Department of Agriculture. See figure 1 for revenues and expenditures for the North Carolina markets.

The figure shows that the markets did not cover their operating costs in 1995. North Carolina takes responsibility for their markets and allocates additional money for the markets to maintain operation. This must be considered when analyzing a regional marketing facility. Funding allocation is not a one-time agreement and the state must make a long-term commitment to assisting markets. The Asheville and Raleigh markets are now meeting their operating costs (in 1999), but assistance was needed in 1995.



Source: North Carolina Farmers Market Special Review February 1996.

Figure 2 shows the sales figures for the four North Carolina markets in 1995 (Raleigh, Asheville, Charlotte, Piedmont-Triad). The wholesale and retail markets constitute over $130 million for the markets. Garden center sales were $5.2 million with Asheville having $3.0 million and Piedmont-Triad have $1.6 million of the total garden center revenues. Restaurant sales were $3.1 million total. The only two restaurants in 1995 were in Asheville and Raleigh. The Raleigh restaurant generated $2.1 million in sales, and Asheville had $1 million. The Triad market now has a restaurant.

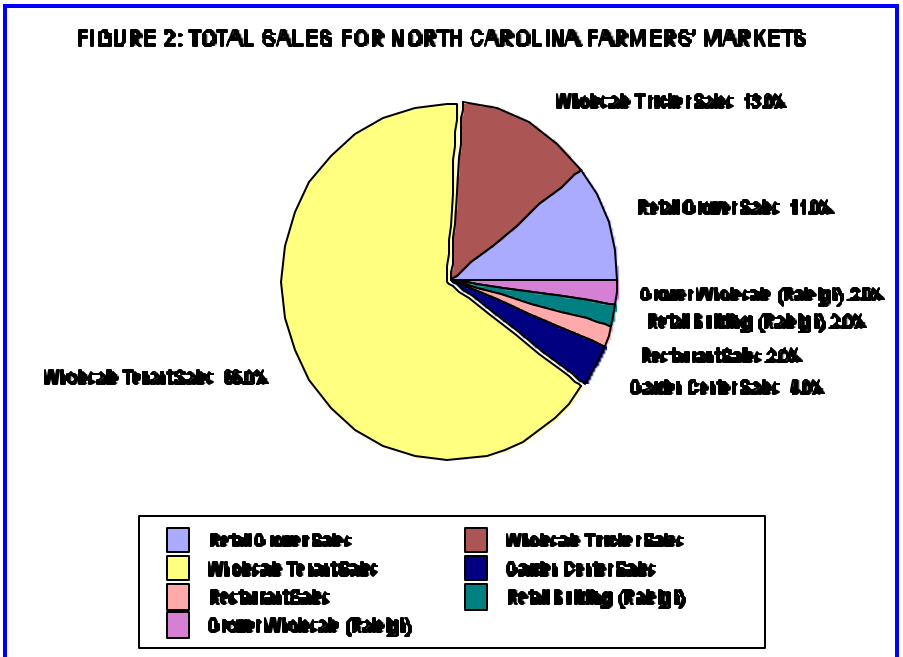
Asheville

The Asheville market hosts retailers, wholesalers, and resellers (peddlers). The North Carolina market is not limited to NC growers, but growers must have a growers permit. Many growers come from other states such as South Carolina, Georgia, Virginia, Tennessee, and Kentucky. Located on land adjacent to historic Biltmore Estate, the Asheville public market retails about 40% of produce and products to tourists.

The first appropriation from the State Legislature was in the amount of $1 million. To date the state of North Carolina has spent $7 million on the market facilities. The market now owns 37.5 acres. The Asheville public market is looking to build another wholesale building.

Currently, the North Carolina Department of Agriculture operates the Asheville farmer's market with fifteen full-time employees; including four maintenance personnel, five security guards, two gate persons, and the management and office staff. The market facilities presently include two year-round retail facilities, two wholesale facilities, 20,000-ft^2 drive-through truck shed, and sheds for resale activities.

The operating costs for the market are $500,000 yearly. Revenues are generated through leases to wholesalers and space rental rates. Wholesale rent is



Source: North Carolina Department of Agriculture: Farmers Market Special Review, Feb. 1996.

$3.50-$4.00 per ft^2. The garden center lease rate is $6.00-$7.00 ft^2. The Asheville market generates enough revenue to pay the operating costs. Marketing assistance provided by the North Carolina Department of Agriculture includes an Internet site, brochures, road signs, and two marketing specialists.

> ***"There are over 200 vendors on the waiting list some have been there for seven to eight years."***
> ***-- Dedrick Cody, assistant manager.***

Sources of revenues are shown for the Asheville market in Figure 3. Three operations generate revenues for the Asheville market. Revenue sources are leases to the wholesalers, garden center and restaurant. These activities account for $167,440 while public revenues account for $280,244. Public revenues include daily stall rentals, concession sales, and admissions for special events. Non-fee related revenues generated $4,500 in fiscal year 1994-1995. The lease information is broken down into more specific categories in figure 3. In 1996, there were only three wholesale firms located at the Asheville market, while more are located there now increasing the lease revenues significantly.

Vendor numbers have decreased over the years due to agricultural consolidation. There are 1000 farmers using the market now throughout the year, which management says is down about half from twenty years ago. Nevertheless, the vendors generate approximately $45 million in total sales. This number includes 60% from wholesale activities and 40% from retail activities.

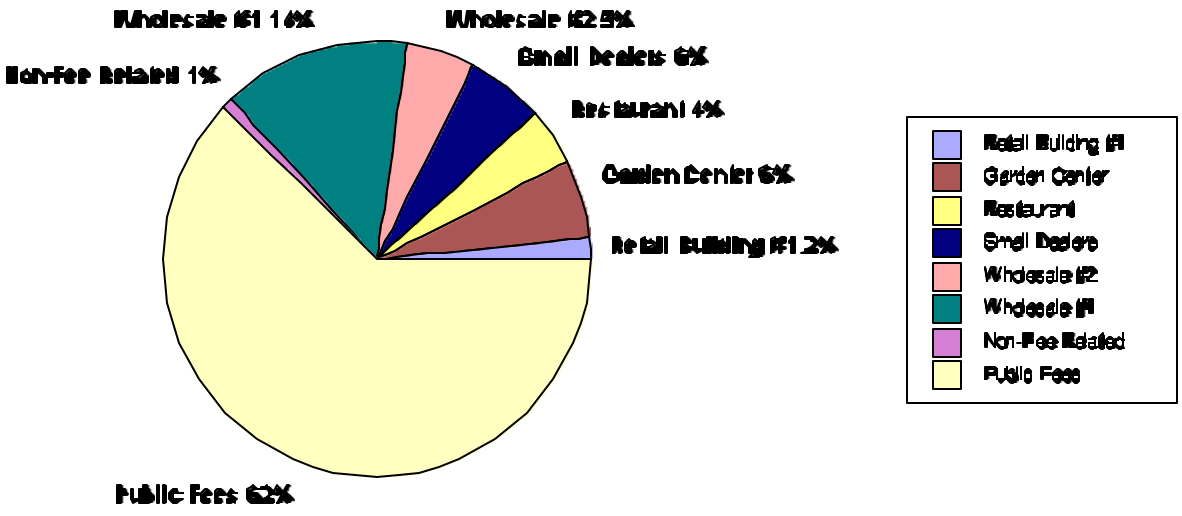
What is working for the Asheville Farmers Market:

- mixture of resale, wholesale, retail activity
- buyers from surrounding states, wholesale buyers and tourists
- garden center and restaurant
- location near tourist attraction
- operated and supported by North Carolina Department of Agriculture

Points of concern:

- generating enough revenues to be self supporting
- parking

FIGURE 3: REVENUE SOURCES FOR THE ASHEVILLE FARMERS MARKET (FY 1994-1995)



Source: North Carolina Department of Agriculture: Farmers Market Special Review, Feb. 1996.

Piedmont-Triad

The Piedmont-Triad market started with wholesale sales and trucking, but this initial venture did not work. Now the market is a retail facility, but has some resellers. A new wholesale facility is currently being built to attract more small wholesale buyers. The market currently has 77 acres with buildings including an enclosed year-round retail facility, outdoor covered sheds, garden center, and a restaurant. The market is located in a highly populated area in the greater Greensboro, North Carolina metropolitan statistical area (MSA).

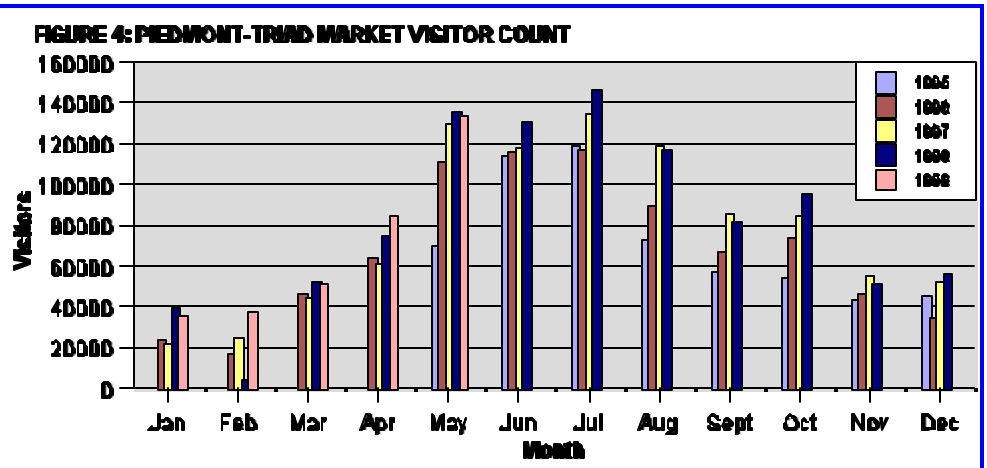
> ***"To have a successful retail market, you must locate near consumers. Farmers will travel to the market, consumers will not travel far."***
>
> ***--Dexter Hill, market manager.***

The North Carolina legislature appropriated $10 million for the initial investment, and has since added $3.2 million for new buildings. Revenues are generated from minimal stall rent fees for farmers (no more than $7 daily), and from the lease of the restaurant and garden center. There is no charge for consumers to enter the market.

The Piedmont-Triad market is not self-supporting. The market is able to pay for about 60% of the costs. NC Department of Agriculture supplements the market with $150,000-$180,000 yearly. Expectations are that less money will be needed when the wholesale activities increase.

In 1996 estimated vendor sales were $4.5 million; 1997 $5.7 million; 1998 $6.3 million which includes sales from the garden center and restaurant. Farmer sales were $1.3 million in 1996; $1.92 million in 1997; $2.5 million in 1998. There are approximately 475 local farmers selling at the market. The increase in vendor sales corresponds to an increase in consumers. In 1995-1996, there were 575,000 visitors; 1996-1997 805,000; 1997-1998 there were 933,000; and 1998-1999 over 1,000,000 visitors. Each year begins and ends in May. Figure 4 shows the highlights for the Piedmont-Triad Market yearly traffic count.

Farmers are recruited by a visit from the manager or assistant manager. Successful farmers are the best recruiters for the market through word of mouth. A full time marketing specialist is needed at this facility. Promotions are frequent at the Piedmont-Triad market. Television, radio, and newspaper ads are frequent. Monthly activities such as Blueberry Day, Pumpkin Day, and Crafts Day are huge successes.



Source: Piedmont-Triad Farmers Market July 1999.

What is working for the Piedmont-Triad Market:

- commodity promotion days (including arts & crafts)
- sales generated from restaurant and garden center
- location near large population
- qualified management with exceptional marketing skills
- clean environment
- operated and supported by North Carolina Department of Agriculture

Points of concern:

- only covering 60% of costs
- lack of sufficient parking

Commodity Promotions

Wholesale Building

Drive-Through Truck Shed

Value-Added Products

Garden Center

Resellers Shed

Marketing Facilities Vendor-Patron Survey

A comprehensive survey with vendors and market visitors in Pennsylvania, Tennessee, North Carolina, and Kentucky was conducted. The markets differ in that North Carolina and Tennessee have permanent facilities and are open year round. Pennsylvania markets are smaller and seasonal but are located in key locations for traditional farmer marketing activities. Kentucky's markets are small community markets with no permanent facilities and generally managed on a volunteer basis with little or no promotional funds. This section summarizes the findings of that survey.[2]

The surveys filtered vendor characteristics in each state. The percent of farm market sales compared to over all sales is highlighted in Table 2. The range is from a low 36.8% in Kentucky to 55.6% in Pennsylvania. Additionally sales to tourists showed a wide range among each state. The range again had Kentucky on the lower end with 10.4% to Pennsylvania's 52.3%. Kentucky, Tennessee, and Pennsylvania all reported little promotional effort outside a fifty-mile radius of their respective markets. Interestingly, each market reported an interest in supporting active promotion as a tourist attraction.

Vendors responded to questions regarding market growth with respect to either the markets or their own private operations. North Carolina, Tennessee, and Pennsylvania reported a strong, but not overwhelming desire for growth. Interest varied very little between the permanent facilities in North Carolina and the outdoor seasonal markets in Pennsylvania when asked about growth. Farmers were then asked to answer questions concerning expansion of particular products and/or services at the market. Some answers reflect the importance of products or services already provided.

TABLE 2. FARM MARKET INCOME AND ITS RELATIONSHIP TO TOURISM

	North Carolina (61)	Tennessee (22)	Pennsylvania (45)	Kentucky (160)
	----- Percent -----			
Portion of farm income from market sales	49.2	53.0	55.6	36.8
Percent of sales to tourists	31.9	17.1	52.3	10.4
Support active promotion of the market as a tourist attraction	(percent indicating "yes")			
	91.1	90.9	90.2	84.4

Permanent facilities and restrooms were the top critical resources acknowledged by all four states. NC vendors already had these amenities and said they were "very definitely" needed. Other products and services "very definitely" needed were a restaurant that provides local products and culture, which was important to North Carolina and Tennessee. The sale of garden supplies and snack stands were also important in these two markets. Kentucky and Pennsylvania reported needing permanent facilities and bathrooms. Kentucky and Tennessee placed importance on arts and crafts, while Pennsylvania supported snack stands.

[2] To find out more about this survey see: Woods, Tim. "Public Markets and Tourism; Vendor and Consumer Perspectives on Developing Linkages Toward Improved Performance." paper presented at the Southern Ag Economics Association meetings, Birmingham, AL, 1996. Copies are available from the author.

TABLE 3: VENDOR PERSPECTIVES ON MARKET GROWTH

Importance of adding the following to future market success:	***North Carolina***	***Tennessee***	***Pennsylvania***	***Kentucky***	***State Average***
	------ Percent indicating "very definitely" ------				
Arts & Crafts	9.1	18.2	9.3	22.9	**14.9**
Garden Supplies	14.8	18.2	7.0	3.1	**10.8**
Entertainment	8.8	5.4	4.7	6.5	**6.4**
Permanent Facilities	75.5	36.4	32.5	46.6	**48.0**
Local Flavor Restaurant	47.4	27.3	7.1	4.2	**21.5**
Snack Stands	40.7	18.2	23.8	7.0	**22.4**
Bathrooms	85.7	63.6	55.8	42.6	**61.9**
Interested in overall market growth	48.3	59.1	53.2	n/a	**53.5**
Interested in own stand growth	46.4	72.7	46.5	n/a	**55.2**

Entertainment was regarded as less important in all four areas. The results are summarized on Table 3.

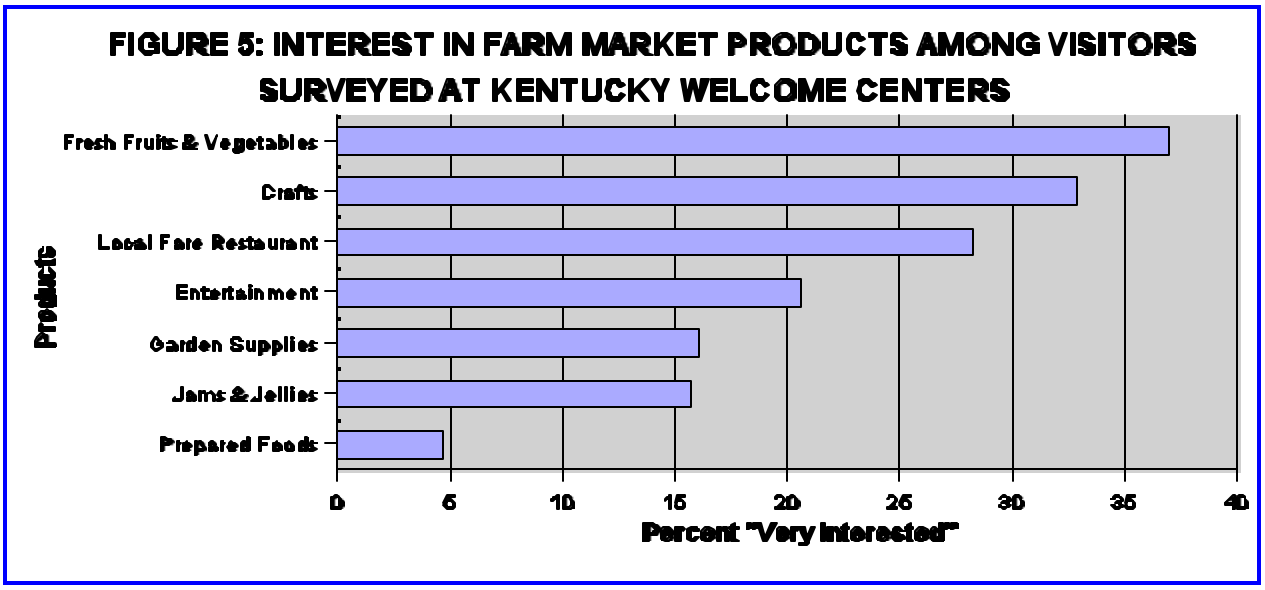
Retail Patron Interest

Table 4 indicates the interest in farm market products among market visitors. The most popular products were fruits and vegetables. Between 67% and 75% of those surveyed indicated they were Avery interested" in these products. Garden supplies were also important to local consumers. Crafts were important to tourists. Tennessee had high interest in jams and jellies for locals, while North Carolina and Pennsylvania had strong tourist interest in jams and jellies.

Visitors at Kentucky's Welcome Centers were asked to indicate their interest in visiting a farmers

TABLE 4: TOURIST AND LOCAL CUSTOMER INTEREST IN FARM MARKET PRODUCTS IN N. CAROLINA, TENNESSEE, AND PENNSYLVANIA

	North Carolina		***Tennessee***		***Pennsylvania***		***Average***	
Number of visitors indicated in parentheses according to type	Tourist *(170)*	Local *(464)*	Tourist *(36)*	Local *(158)*	Tourist *(100)*	Local *(112)*	Tourist	Local
	---- percent "very interested" ----							
Please indicate your interest in the following market products								
Fresh fruits & vegetables	73.1	67.8	67.7	71.9	75.5	75.7	**72.1**	**71.8**
Prepared foods	9.8	3.9	8.7	11.9	43.2	10.0	**20.6**	**8.6**
Crafts	9.1	8.4	30.4	13.8	11.0	3.9	**16.8**	**8.7**
Entertainment	6.1	5.7	13.6	8.3	0.0	2.0	**6.6**	**5.3**
Garden supplies	20.2	26.0	19.0	29.3	8.0	22.6	**15.7**	**26.0**
Jams & jellies	14.9	10.4	8.0	19.3	20.7	12.5	**14.3**	**14.1**
Local fare restaurant	13.1	12.5	18.2	21.6	15.3	22.3	**15.5**	**18.8**



market. Slightly over 30% were interested in visiting farmers markets in Kentucky. Fresh fruits and vegetables were seen as the primary products at farmers markets. Crafts, a local restaurant, and entertainment were more of interest to visitors to Kentucky than in the other three states. Kentucky results are summarized in figure 5.

Additional Considerations for Retail Markets

Retail markets need to be located in highly populated areas. According the Dexter Hill, manager of the Piedmont-Triad market (Greensboro, NC), "farmers will travel to the market, but consumers do not have to." Mr. Hill emphasizes that a retail market must be constructed near a metropolitan area to succeed. Consumers have many choices on where to get produce, including wholesale outlets, small grocery stores, and large supermarkets. Farmers will travel a longer distance to market if they can sell their products at a profit within reasonable limits. Table 5 shows population densities of various areas in Kentucky , Tennessee, North Carolina, and South Carolina.

Additionally, tourism is a major factor in determining the location of a retail marketing facility. Other states, including North Carolina have located the facilities just off interstate highways. This allows for tourists to have easy access to the respective markets. Family incomes are increasing, allowing more tourism throughout the country. Rising incomes means consumers are willing to purchase better and fresher quality produce, which will be found at a farmer's market.

TABLE 5: POPULATION OF VARIOUS AREAS NEAR KENTUCKY

Location	*Population*
Asheville, NC	210,042
Bowling Green, KY (1998 Warren County)	87,323
Cincinnati, OH (includes Northern KY)	1,920,931
Columbia, SC	488,207
Greensboro, NC	1,141,238
Knoxville, TN	649,277
Lexington, KY	441,073
Louisville, KY	991,765

Source: 1996 Census.

TABLE 6: TOURIST AND LOCAL CONSUMER RESPONSE TO VARIOUS MARKET MEDIA

Source for finding out about the market	North Carolina		Tennessee		Pennsylvania		State Average	
	Tourist	Local	Tourist	Local	Tourist	Local	Tourist	Local
	----percent----		----percent----		----percent----		----percent----	
Road Sign	40.0	32.3	35.1	31.6	46.6	52.7	**40.6**	**38.9**
Newspaper	5.3	22.7	13.9	23.2	2.9	24.1	**7.4**	**23.3**
Brochure	5.9	1.0	13.9	3.9	26.2	2.7	**15.3**	**2.5**
Friends	45.3	21.3	22.2	18.1	11.7	35.7	**26.4**	**25.0**
Event	0.6	0.7	0.0	6.5	0.0	2.7	**0.2**	**3.3**
Radio	3.5	7.8	5.6	9.7	0.0	5.4	**5.4**	**7.6**
Other	11.8	17.1	11.1	7.7	17.5	15.2	**13.5**	**13.3**

Market Promotion

Market consumers in North Carolina, Pennsylvania, and Tennessee were asked about promotional items that caught their attention. Which type of promotional media directed them to visit the farmers market? Again, the patrons were classified into tourists and locals. The results are summarized in Table 6.

Road signage was consistent throughout the states in leading visitors to farmers markets. This was true for both tourists and locals. Local consumers leaned heavily on newspapers, as well as radio and special events. Tourists seem to find market brochures to be an important promotional item. Both groups surveyed said word-of-mouth from friends was good promotion.

Vendors were also asked to express opinions on media effectiveness in attracting tourists. The vendor results contrasted with the results from tourist patrons. Targeted media advertisement was the vendors' choice on promotional options (except North Carolina which placed this second). Increased signage was not listed by vendors as being important in increasing tourist numbers to the market. See Table 7 for summary of results.

TABLE 7: VENDOR INDICATION OF MEDIA IMPACT ON TOURISTS

Would any of the following marketing efforts to attract tourists have a positive impact on your business?	*North Carolina*	*Tennessee*	*Pennsylvania*	*Kentucky*	*State Average*
	----- Percent indicating "very definitely" -----				
Media advertising	45.8	45.5	55.8	51.3	49.6
Market brochures	35.6	40.9	39.5	39.3	38.8
Increased signage	53.3	40.9	46.2	43.2	45.9
Cooperation with Tourism	44.8	31.8	53.5	44.8	43.7

Kentucky Market Situation

Consolidation in agriculture has had an effect throughout the country. The Asheville North Carolina market noted 1,000 less farmers at their market then twenty years ago. Consolidation effects agricultural banking, wholesaling companies and farmers. Table 8 provides a list of Kentucky and surrounding states number of farms.

From 1987 to 1997 Kentucky lost over 10,000 farms, which is a decrease of about 11%. Indiana had the largest loss of farms with almost 18% reduction in the ten-year period. Illinois was close behind with over 17%.

TABLE 8: NUMBER OF FARMS

State	*1987*	*1997*	*Percent Change*
Alabama	43,318	41,384	-4.46
Arkansas	48,242	45,142	-6.43
Florida	36,556	34,779	-4.86
Georgia	43,552	40,334	-7.39
Illinois	88,786	73,501	-17.72
Indiana	70,506	57,916	-17.86
Kentucky	**92,453**	**82,273**	**-11.01**
Mississippi	34,074	31,318	-8.09
Missouri	106,105	98,96	-6.83
North Carolina	58,284	49,406	-15.23
Ohio	79,277	68,591	-13.48
South Carolina	20,517	20,189	-1.60
Tennessee	79,711	76,818	-3.63
Virginia	44,799	41,095	-8.27
West Virginia	17,237	17,772	3.10

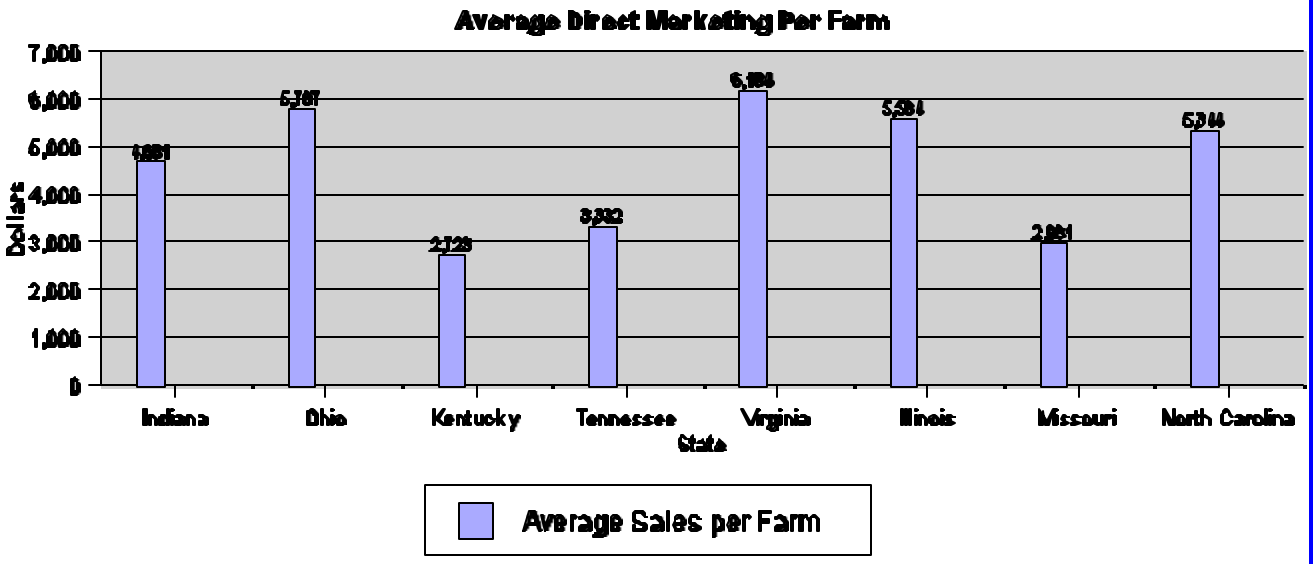
Source: 1992 and 1997 Census of Agriculture

Direct Marketing

Figure 6 shows the average direct marketing sales per farm in Kentucky and surrounding states. It is clear that with the exception of the mountainous state of West Virginia, Kentucky ranks low in comparison with neighboring states.

Kentucky also ranks among the last ten states in terms of average direct. Kentucky's average sales was $2,340 in 1992 compared to Rhode Island's average,

FIGURE 6: KENTUCKY AND SURROUNDING STATES' AVERAGE DIRECT MARKETING SALES



Source: 1997 Census of Agriculture

which was $17,210 in 1997. Similarly, Kentucky ranks in the lower half of the fifty states in direct marketing sales. Estimated direct marketing sales were $4,276,000 in 1992 and increased some to $4,761,00 in 1997. There were nearly the same number of farms participating in direct sales during this time. The number of farms direct marketing is on the increase, but is far from the average of surrounding states, including Tennessee, Indiana, Ohio, Illinois, Virginia, and Missouri. These states all rank higher than Kentucky in total direct sales. Ohio ranks fifth in the United States, with the other states all surrounding Kentucky ranking in the top 25. West Virginia does rank below Kentucky but has far fewer farms participating in direct marketing activities. See Table 9 for the summary of all 50 states.

In terms of average vegetable farm cash receipts, Kentucky has had a modest increase between the 1986-1987 average and the 1996-1998 average. Kentucky's vegetable receipts increased from $23,521 to $30,646 over a ten-year period. This was a 30% increase. West Virginia has the largest increase over the time period of 209%, and Georgia increased about 160%. Alabama and Arkansas actually decreased in average vegetable farm cash receipts. The US change was near 58% in increased cash receipts for vegetable crops. See Table 10 for states surrounding Kentucky.

TABLE 10: AVERAGE VEGETABLE FARM CASH RECEIPTS

State	*1986-1988*	*1996-1998*	*Percent Change*
	Dollars ($1,000)	Dollars ($1,000)	
Alabama	84,789	75,993	-10.37
Arkansas	21,667	20,060	-7.42
Florida	1,190,118	1,507,568	26.67
Georgia	164,445	426,193	159.17
Illinois	49,597	71,524	44.21
Indiana	68,467	101,378	48.07
Kentucky	**23,521**	**30,646**	**30.29**
Mississippi	24,937	43,497	74.43
Missouri	10,865	22,353	105.72
North Carolina	163,201	330,460	102.49
Ohio	122,770	144,060	17.34
South Carolina	53,678	71,856	33.86
Tennessee	46,747	68,684	46.93
Virginia	65,094	87,546	34.49
West Virginia	1,831	5,667	209.54
United States	9,526,929	14,990,041	57.34

Source: USDA Vegetables and Specialties: Situation and Outlook Report.

Kentucky Produce Quality Assurance Survey

The Kentucky Partnership for Food Safety and Quality Assurance, an initiative within the University of Kentucky, conducted a survey in the summer of 1999 of fruit and vegetable producers throughout Kentucky. Several interesting marketing trends and facts were confirmed through this survey. Some highlights from the survey findings are presented here. More detailed findings will be forthcoming in a report being prepared for distribution by the University of Kentucky.

Market Utilization

An overwhelming majority of the produce growers in the state sell at least some of their produce through some sort of direct marketing channel - farmers' markets, roadside stands, u-pick. The 82% of producers indicating they sell through these direct markets well exceeded the next most frequently identified marketing channel, direct to retail (grocery,

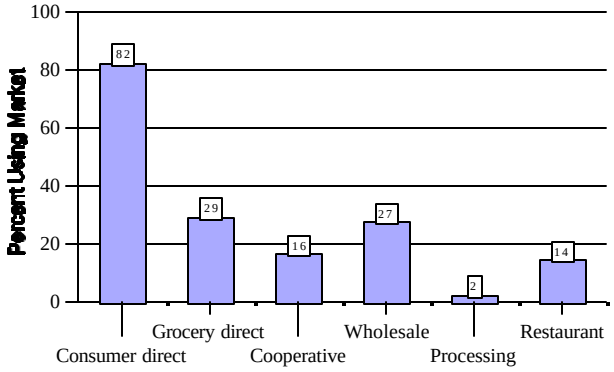
TABLE 9: STATE-LEVEL DIRECT MARKETING ACTIVITY

State	Farms 1992	Farms 1997	$1,000 1992	$1,000 1997	Average Per Farm 1992	Average Per Farm 1997
Rhode Island	127	135	1,578	2,323	12,426	17,210
Massachusetts	1,080	1,226	14,982	19,825	13,872	16,170
Connecticut	666	774	6,348	10,980	9,531	14,186
New Hampshire	511	690	4,174	8,653	8,169	12,541
California	5,229	5,901	35,967	73,179	6,878	12,401
Delaware	144	154	1,906	1,864	13,237	12,102
New Jersey	1,508	1,636	11,159	17,993	7,400	10,998
New York	3,453	4,038	32,321	40,088	9,360	9,928
Pennsylvania	4,862	5,508	35,806	48,745	7,364	8,850
Hawaii	435	525	2,469	4,586	5,675	8,735
Maryland	1,268	1,133	7,424	8,667	5,855	7,650
Maine	1,006	1,177	5,521	8,314	5,488	7,064
Michigan	4,019	4,339	21,093	28,720	5,248	6,619
Florida	1,863	1,954	20,725	12,547	11,124	6,421
Vermont	673	983	3,934	6,302	5,845	6,411
South Carolina	997	966	4,556	6,080	4,570	6,294
Virginia	1,789	1,713	7,036	10,594	3,933	6,184
Utah	1,010	1,036	3,666	6,269	3,629	6,051
Alabama	1,355	1,373	5,227	5,401	4,675	5,915
Ohio	4,698	4,877	21,580	28,221	4,593	5,787
Wisconsin	3,159	3,843	13,899	21,866	4,397	5,690
Illinois	2,338	2,204	10,586	12,307	4,528	5,584
North Carolina	2,134	2,176	7,113	11,628	3,333	5,344
Georgia	1,516	1,471	7,274	7,294	4,798	4,959
Arizona	513	431	2,956	3,288	2,837	4,900
Arkansas	1,017	1,084	2,794	5,107	2,748	4,711
Indiana	2,820	2,767	10,893	12,953	3,863	4,681
Minnesota	2,771	3,145	9,434	14,198	3,404	4,515
Nevada	184	149	450	668	2,445	4,485
Washington	2,933	3,055	10,863	13,700	3,704	4,485
New Mexico	919	873	3,963	3,819	4,312	4,374
Alaska	76	102	216	500	3,858	3,934
Colorado	1,523	1,752	7,461	6,611	4,899	3,773
Iowa	2,235	2,174	5,382	7,475	2,408	3,348
Louisiana	903	888	2,392	3,033	2,649	3,415
Tennessee	2,035	2,294	6,118	7,643	3,007	3,332
Texas	4,972	5,526	12,188	17,379	2,451	3,145
Oregon	4,263	4,594	10,323	14,287	2,422	3,110
Mississippi	907	787	2,530	2,441	2,789	3,101
North Dakota	500	470	890	1,453	1,780	3,091
Missouri	2,655	2,943	7,346	8,774	2,767	2,981
South Dakota	531	579	1,092	1,720	2,056	2,971
Kentucky	**1,785**	**1,748**	**4,276**	**4,761**	**2,340**	**2,723**
Nebraska	1,000	966	2,169	2,519	2,169	2,607
Idaho	1,120	1,205	2,107	3,047	1,881	2,529
Kansas	1,432	1,492	3,324	3,663	2,321	2,455
West Virginia	869	1,100	2,082	2,663	2,396	2,421
Wyoming	351	376	750	849	2,138	2,257
Montana	774	910	2,179	1,942	2,815	2,134
Oklahoma	1,504	1,898	3,643	4,009	2,422	2,112

Source: 1997 Census of Agriculture

other retail sellers), identified as used by 29%. The percentage of producers indicating their selling activity by each marketing channel is presented in Figure 7.

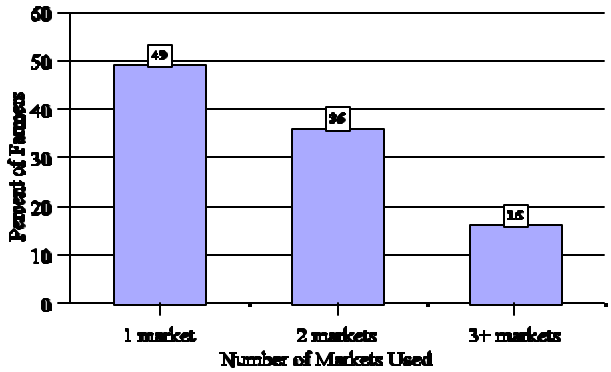
FIGURE 7: MARKETS USED BY KY FARMERS



Market Diversification

The majority of growers indicated they use several marketing channels. Produce is being sold into two or more of these different market channels by 51% of those responding - Figure 8. Diversification of market channels allows larger-volume producers to take advantage of opportunities in local markets, for example, while still producing for wholesale distribution. Still, nearly half of the farmers indicated they focus their marketing into just one market.

FIGURE 8: MARKET DIVERSIFICATION



Distribution of Sales

Farmers were asked to indicate their 1998 total sales, as well as the percent sold into each market. The gross sales are reported by market channel in Figure 9. Interestingly, 55% of the total sales generated last year were from direct marketing channels. There was a total of nearly $3 million in sales reported from the survey respondents, with $1.6 million reported in direct sales. If indeed this sample closely represents the marketing activity of fruit and vegetable producers in the state, the direct marketing activity can be considered to be a very important component. This is not to understate the importance of wholesale markets, their importance to the balance and viability of a total marketing system, or even its potential for growth. Most of the sales through cooperatives in Kentucky go through wholesale distribution channels. Still, it's interesting to note the proportion of farmers involved in some sort of direct selling and the value of sales generated in this market channel that is regarded by some to be minor and secondary.

FIGURE 9: DISTRIBUTION OF SALES

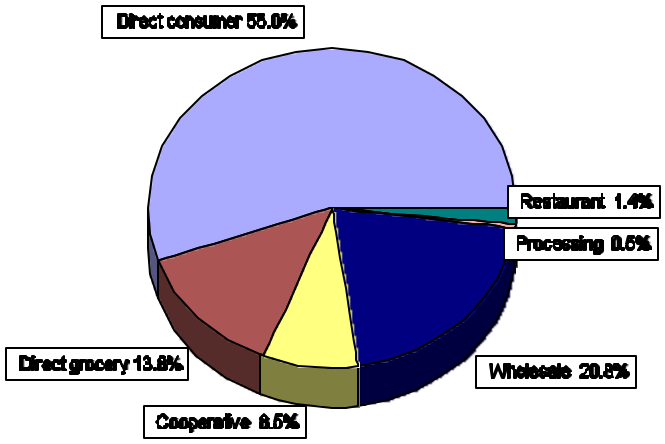


Figure 10 demonstrates the interests in regional farmers' markets throughout Kentucky. Interest in regional farmers' market exists throughout the state. More interest was concentrated in the Central Kentucky area spreading from Northern Kentucky all the way to Wayne County. Very high interest seems to follow the I-65 corridor from Jefferson County to Edmonson and Warren County. Similar findings along the I-64 route from Jefferson County through Bourbon County.

Northern Kentucky Farmers' Market Efforts

A Northern Kentucky regional market feasibility study was conducted by the Kentucky Department of Agriculture and the University of Kentucky in 1995. The study concluded that a phased strategy be used for developing a market. Additionally, the study concluded that $3 million a year of fruit and vegetable sales can be sold at an active farmers' market in a populated area. As some Kentucky farmers make a transition into growing fruits and vegetables, the market has greater potential for growth (Dempsey and Snell, 1995, p.21).

Interest in access to marketing facilities continues to exist in the northern Kentucky area. Farmer groups have looked at several existing sites in recent years and have also sold through a flea market facility in the Ridgewood area.

The Boone County Extension Advisory Board has regarded the establishment of a farm market facility as a high priority. They have recently purchased property adjacent to the Boone County Extension offices and are in the process of designing a county-operated market.

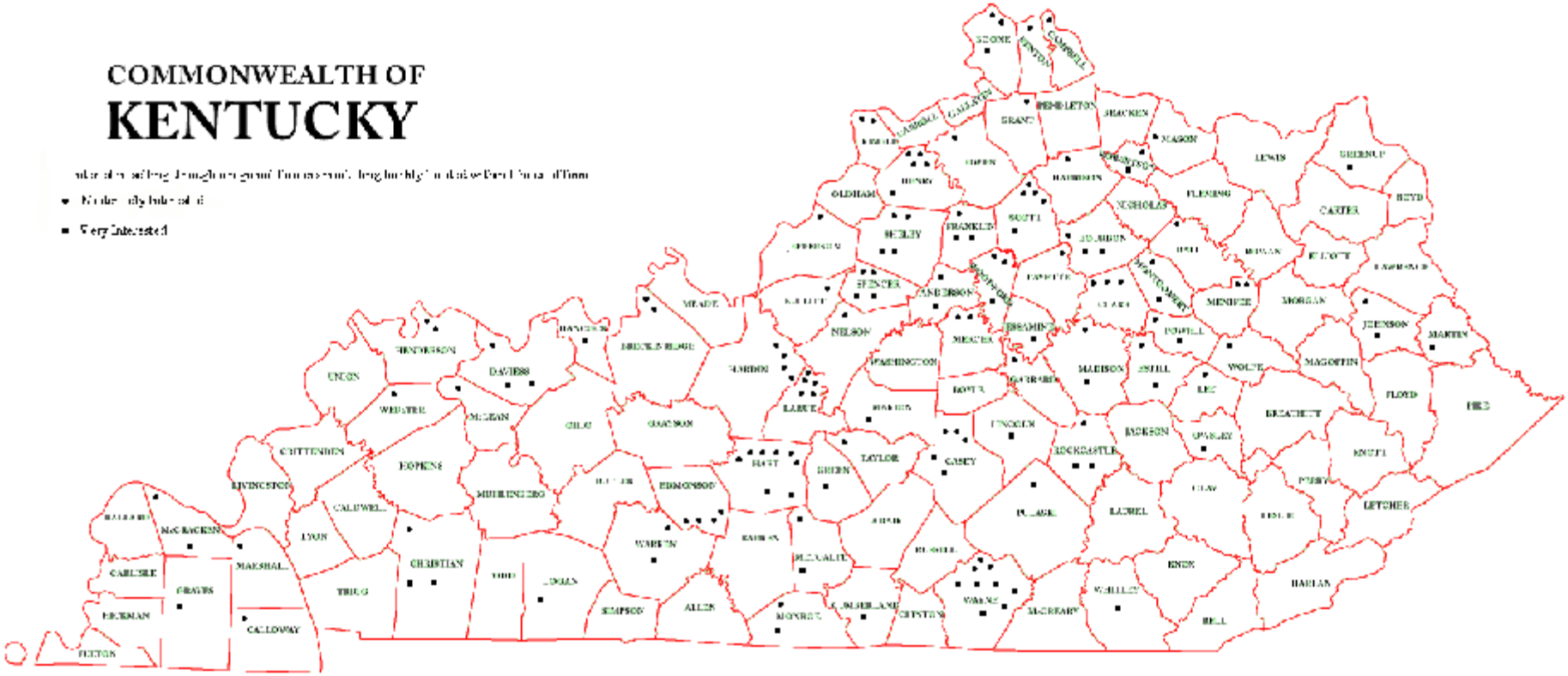
Farm Bureau Roadside Program

The Kentucky Farm Bureau Roadside Program was designed to help growers with retail based sales on their farm, market their products more effectively. The program is offered to roadside produce stands and u-pick operations. Farm Bureau provides assistance with market expansion, help with increasing customer base, increased advertising statewide, tourist promotions, and helping to link markets together to exchange ideas. The program currently has forty members (Probst, 1999, p.1).

Many of the roadside markets are near the interstate system including I-75, I-64, I-71, and I-65. Currently, a majority of the advertisement for the program is at Kentucky Welcome Centers, rest areas, and other areas with frequent tourist travel.

Most of the markets currently participating emphasize direct sales but also have a wholesale component to their business.

FIGURE 10: FARMER INTEREST IN USE OF A MARKETING FACILITY



Source: 1999 Kentucky Produce Marketing and Quality Assurance Survey

Kentucky Department of Agriculture Marketing Support

The Kentucky Department of Agriculture currently provides promotional support for over sixty community farmers markets involved in direct marketing activities around Kentucky. The promotion includes:

- a media campaign using billboards, radio, and TV ads in season
- promotion materials
- directory
- small grant program for community farm markets
- webpage

Conclusions to Kentucky Programs and Efforts

1. There is a high level of interest and wide-spread activity in the direct marketing of produce in Kentucky.
2. Marketing assistance is available to farmers from a number of sources that want to expand their marketing efforts in produce.

Kentucky Wholesale Produce Situation

Many successful regional markets in other states include wholesale activity. Having wholesale produce sales at a farmers' market provides many benefits. Wholesalers located in the market would pay revenues through leases and rents for building spaces thus supplying operating money for the market. Additionally, wholesalers located at the market would provide another outlet for local farmers to sell their produce. Wholesalers also generate year round revenue. Wholesaler activities also add money to the state's economy by providing employment and paying state taxes.

If a new regional market was built it could provide an opportunity for small or local produce wholesale firm to move to newer and more efficient facilities. Providing improved facilities for these firms to lease would assist them to remain competitive in an industry that threatens to consolidate into only a few large firms buying and distributing produce. Smaller locally based wholesalers are better able to purchase and distribute smaller quantities of locally produced goods than larger multi-state distribution facilities.

Although the produce wholesaling continues to consolidate nationally, there are still a large number of produce wholesaling businesses in and around Kentucky. There are currently 88 produce wholesalers in the state of Kentucky, according to the most recent Red Book Credit Services directory. Southern Ohio and Southern Indiana have a combined 106. Northern Tennessee has 95, and Southeastern Illinois has 24 wholesalers. A regional public market may be able to attract some new wholesalers to relocate to a market. For a summary listing see Table 11.

TABLE 11: WHOLESALE PRODUCE OPERATIONS IN THE KENTUCKY AREA

Region	*Number of Wholesalers*
Southern Illinois	24
Southern Indiana	81
Kentucky-All Locations	88
Southern Ohio	111
Northern Tennessee	95
West Virginia-All Locations	40

Source: Red Book Credit Services, March 1999.

Conclusions

No two regional farmers' markets facilities are exactly alike. Appropriate facility design, capitalization, and operation will vary depending on the market circumstances. There is no universal formula for a successful farmers market. Successful market facilities vary from region to region. One key aspect important to all areas is that **market success will depend on a location with convenient access to major throughways, having well-designed functional buildings and the ability to attract a sufficient number of buyers and sellers.**

The following conclusions are drawn from an analysis of the most important elements of the regional farmers markets studied. The elements include site location, market financing (capitalization), market operation, and physical structures.

Site Location

- For a market to succeed there needs to be an adequate number of buyers and sellers. Because of this each potential site needs to be evaluated objectively:

> *Are there an adequate number of buyers and sellers in accordance with the market activities proposed?*

- ***Steps must be taken to be sure markets are built in the proper location specifically for economic considerations and not the result of political or other pressures.*** Virginia avoided this problem by establishing a Virginia Farmers Market Board, which has oversight over state built marketing facilities. The Farmer's Market Board requires a feasibility study demonstrating the viability of the proposed site as a first step before considering construction of a new market.

- An oversight board should establish criteria to insure success of any regional market built with state funds. Local interests or the board itself could propose a market be built in a particular area. The board's mission would be to assess the need for the proposed market, the potential number of buyers and sellers, the viability of market plans for operating costs, construction costs, and expansion, for each site proposed. Only then would recommendations be made to the General Assembly and the Kentucky Department of Agriculture as to funding a new market.

- Farmers are willing to transport their products a reasonable distance to a market if they can be sold at a profit. Consumers however are not willing to travel far out of their way to shop. Retail markets will therefore need to be located conveniently to a customer base of sufficient size. If a market has a significant retail component it will require a location near a major population center.

Produce packing, grading, and cooling should be done prior to delivery to market.

- Produce packing, grading and cooling facilities for volume handling of produce crops is a function better performed within the production area. By processing and grading produce close to where it is grown, unnecessary transportation and handling of cull produce can be avoided.

Market Financing

- **Revenues generated from market operations will not be sufficient to repay the cost of construction**. In time, a well-built market in a good location, with an adequate number of buyers and sellers can generate enough revenue to pay its operating costs. Two of the North Carolina regional markets generate enough revenue to pay their operating costs. A third and newer market is close to doing the same.

- A significant investment of public funds would be required to purchase the land and construct regional marketing facilities.

Table 12 demonstrates the cost of asset and land investments for a state built regional market network. North Carolina has invested over $33 million dollars in four regional markets. Initial investments in land and buildings were substantial.

Market Operation

- Markets need a sufficient level of operating funds in order to maintain the facilities and carry out promotional activities.

TABLE 12: VALUE OF MARKET ASSETS

Market	Number of Acres	Value of Assets ($)	Land Purchase Price ($)	Fees & Lease Revenues FY94-95 ($)	1995 Total Sales (million $)
Raleigh	75	13,703,457	1,087,040 (land)	737,267	72.8
Asheville	36	5,019,441	3,115,778 (road)	421,170	44.0
Charlotte	22	2,471,443	470,000 (in kind match)	157,716	7.2
Piedmont Triad	75	5,137,201	2,667,730	N/A	6.3
Totals	208	26,331,512	7,340,549		130.3

Source: North Carolina Department of Agriculture. Farmers Markets Special Review. February 1996.

- Public funds are an essential source of operating money, at least until markets are fully developed. North Carolina and South Carolina operate their Regional Farmers Markets with State Department of Agriculture Employees. Virginia and Tennessee used state funds to build their markets but operations are carried out by city or county employees or non-profit grower associations.

- **Lease payments from anchor tenants are the most important source of revenue generated from operating the markets.** Building space rented to wholesalers, year-round retail shops, a restaurant and a garden center, provide the greatest amount of revenue from operations. Farmer fees for use of shed space to sell seasonal crops produces very little income for the market.

- A feasibility study done on the viability of a proposed market should include an estimate of the operating costs and estimated revenues from all sources.

- Market supported with public funds should be required to submit annual financial reports to an advisory board and funding agency such as the State Department of Agriculture.

Management:

- The Market Manager plays a critical role in the success of a market. The manager must have skills in marketing, negotiation, personnel management, financial skills, and people skills.

- The manager must also be able to communicate both orally and in writing to farmers, market tenants and supporting agencies.

- Hiring a market manager must be based on their abilities.

(See Appendix 3 for a description of a manager position in the North Carolina markets.)

A market will need sufficient operating funds to maintain a physical environment that facilitates success including:

- management
- maintenance and repairs
- sanitation
- security
- promotions (especially if retail)

- Retail markets will require additional resources such as:
  - ◊ rest rooms in every building, with sufficient handicap access
  - ◊ vending machines
  - ◊ ATM machine

Physical Structures

Facilities should be tailored according to the desired marketing activities.

The following physical structures are important for a **retail farmers market**:

- open-air covered sheds
- enclosed building for year-round vendors
- restaurant
- garden center
- ample parking
- space for trucks
- space for public access

Wholesale activities and resale activities need the following:

- enclosed wholesale building (s)
- space for cooling units (if not supplied by the market)
- large drive through shed(s) for large quantities of horticultural products
- ample room to maneuver semi-trucks and trailers

Heeding the lessons learned from other states regional market facilities is key to developing successful markets in Kentucky. Market success will depend on a location with convenient access to major throughways, having well-designed functional buildings and the ability to attract sufficient buyers and sellers.

Specific recommendations that are built on these conclusions are presented in the following section.

Recommendations

I. If regional marketing facilities are declared by the General Assembly to be needed and necessary, it is recommended these regional markets be built and owned by the Commonwealth of Kentucky.

II. In order to ensure that markets are located in an area where there is a sufficient number of buyers and sellers it is recommended that a regional farmers' market oversight board be established and attached to the Kentucky Department of Agriculture to oversee any regional farmers' market built with state funds.

III. The oversight board should:

- ž create an efficient and cohesive system of marketing facilities around the state that can benefit from economies of promotion, oversight, and support
- ž establish criteria needed to create a successful market including: requiring a feasibility study proving the location is suitable, adequate number of buyers and sellers, sufficient local support and a viable plan for construction and operation.
- ž require and receive annual performance reports from each market
- ž make recommendations to the Legislature and the Kentucky Department of Agriculture concerning continued funding, and expansion of existing markets, and proposals to create new markets.

IV. In order to provide adequate operating and promotional support, it is recommended that these regional markets be operated by the Kentucky Department of Agriculture.

References

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Appendix—1

Summary of Market Manager Interviews

	Nashville Farmers Market	Birmingham Growers Association	Eastern Shore Farmers Market	Northern Neck Farmers Market
Manager	Jim Cupit	Danny Jones	Jim Stern	Rod Parker
Marketing Activities	retail; truck sales; flea market	retail; wholesale; resale; flea market	wholesale; resale	shipping point
Buildings and Facilities	4 sheds 15,000 ft^2; interior bldg. 35,000 ft^2; 10 acres	3 bays: 91,000 ft^2; 14,000 ft^2; 28,000 ft^2; 4 sheds 7,000 ft^2 each; 30 acres	4 bays each of 4,000 ft^2; 4 coolers with each bay 1,000 ft^2; 35 acres	1 building 60,000 ft^2;
Building and Land Capitalization	city of Nashville paid; some funds from state initially; $6.5 million total outlay;	private loans through local banks; recently paid off $1,000,000 note	state paid for facility; cost of $2 million	state paid for building; cost $3,000,000; turned over to Northern Growers Association
Operates the Market	city of Nashville board of commissioners appointed by mayor	farmer operated; non-profit	coop operated; non-profit	Parker's Farms; leases building from Northern Growers Assoc.
Pays for operating costs	self funded through revenues generated by leases and fees	market is self supporting	market is self supporting by coop; $75,000 loan from bank guaranteed by state	Pays all operating costs
Total operating costs	1998- $670,000	NA	NA	NA
Employees	8 employees; 1 manager; 1 asst, manager; salaries paid by market	NA	NA	NA
Revenues	budget 1998 $1,114,000; revenues generated from long-term leases, day leases	revenues generate from gate fees, stall fees, certified scales	revenues generated from rent to brokers	revenues generated through volume in market; $8,000,000 in last 6 months
Profits	above costs go to long-term capital projects	excess revenues put back into association to better market	surplus cash put back for repairs; put back in agricultural community	operating in black
Promotional Items	contract with local marketing firm; one event per month; Internet site	brochures, radio, magazines, paper, interstate signs	sponsor scholarship, local ag show; brochures; Internet site	state provides advertising; The Packer; Internet site
Vendor Sales	NA	1998 sales =$400,000,000	1998 sales $10,000,000	NA
Recruiting Vendors	long list of vendors, no recruiting necessary	long list of vendors, no recruiting necessary	advertise; currently have waiting list; need twice more space; marketing specialists	NA

	Piedmont Triad Farmers Market	Asheville Farmers Market	Columbia Farmers Market
Manager	Dexter Hill	Deidrick Cody (Assistant Manager)	
Marketing Activities	retail; resale; wholesale facility being built	retail; resale; wholesale	retail; resale; wholesale
Buildings and Facilities	farmers[1]= 29,600 ft^2; farmers[2]= 11,100 ft^2; enclosed bldg.= 12,000 ft^2; 5,000 ft^2; 20,000 ft^2; 30,000 ft^2 under construction; garden center, restaurant	drive through shed 20,000ft^2; enclosed retail bldgs 12,000 ft^2 each ; wholesale facilities 5,000ft^2 each; garden center 6,000 ft^2; restaurant	drive through sheds; retail facilities; wholesale facilities; garden center no sizes available
Building and Land Capitalization	NC paid for buildings; $13.2 million total for land and buildings; 77 acres	state paid for buildings; total allocation was $7 million	state paid for buildings; total allocation not available; 59 acres
Operates the Market	State of North Carolina	State of North Carolina	State of South Carolina
Pays for operating costs	market is 60% self-supporting; state pays other 40% approx. $150,000-$180,000 yearly	market is self-supporting	market is self-supporting
Total operating costs	approx. $325,000 yearly	$500,000 yearly	not available
Employees	8 full time; 2 part time; wages paid by state with benefits for full time	15 full time state employees; 4 maintenance; 5 security; 2 gatemen; admin personnel	34 employees; wages paid by the state
Revenues	revenues generated from $6 space/day rental charge; $7 in enclosed bldg.	revenues generated by daily rentals and long term leases;	revenues generated by daily rentals and long term leases; $850,000-$1,000,000 yearly
Profits	opened to supply market to farmers; not looking to make profits	profits go back into market for improvement	Not available
Promotional Items	TV, radio, interstate marquee leased to companies; brochures, Internet site; seasonal commodity promotions	Interstate sign; Internet site; seasonal commodity promotions	Interstate sign; commodity days; media ads
Vendor Sales	1996-$4.5 million; 1997-$5.7 million; 1998-$6.3 million; a $10 value per box used to calculate: figures include garden center and restaurant	$45 million total sales; 60% wholesale; 40% retail	approximately $250 million from retail, wholesale and resale activities
Recruiting Vendors	recruited by visitation at first; successful farmers at market biggest recruiters; NC Dept of Ag	currently a waiting list for vendors; over 200 on waiting list; NC Dept of Ag	South Carolina Dept of Ag

Appendix-2

Job Description for a Farmer's Market Manager[3]

Purpose: To provide on site management and direction for the day to day operation and long range needs of the State Farmers Market. Responsible for directing the planning, budgeting, promotional and expansion needs for this wholesale and retail distribution and marketing center. Charged with overseeing the construction of the Market, developing operational guidelines and procedures necessary to operate this $13.5 million facility.

Duties:

- provide daily on-site management
- plan and supervise work of employees - establish priorities, determine deadlines, set goals, evaluate work, adjust workloads, counsel, discipline, and provide motivation
- perform Market development work with growers, buyers and user organizations
- meet with farm groups, civic clubs, and consumers to advise on marketing and present promotional programs of the Market and on marketing fruits and vegetables. Regularly speak at many types of meetings
- respond to requests for assistance in Marketing (average one to two per day)
- gather Market News information and air programs for radio and television (four to five per day)
- meet w/ groups and special peoples visiting the Market. All types of dignitaries from the United States and foreign countries visit. Average three to five per month
- serve on various produce, media, and consumer organizations.
- serve on special projects and assignments as directed by the Commissioner of Agriculture or Director of the Division of Marketing
- serve as lead person in development of leases
- oversee the operation of a bookkeeping system to completely account for all incoming monies and properly process expenditures
- through proper planning, operational policy, and expenditure control, maintain and carry out Market operations on a self-supporting status as mandated by General Assembly
- develop budgets that cover personnel, major repairs, equipment purchases, and replacements, supplies, and all other operational expenditures
- target and plan special functions. These include but are not limited to: barbecue sauce tasting, crawfish, old farm implement and equipment sale and show, Market Festival (highlighting farm grown produce), herbs (spring and fall weekends), lamb, media breakfast, strawberry tasting, sweet potato and apple pie tasting contest, watermelons, pumpkins, and Christmas Trees
- survey Market users to determine needs of growers and buyers which the Market could satisfy
- advise producers, wholesale dealers, buyers, and new business interests of marketing needs, techniques, and the selling and buying opportunities to be found and further developed at this facility
- constantly seek, evaluate, and try new products, marketing techniques, or opportunities that would make this facility perform better as a place to buy and sell farm products

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[3] This job description for the market manager appeared in the auditors report as an exhibit. It represented the expectations laid out specifically for the manager at the State Farmers' Market in Raleigh, NC.

- review, analyze, and develop rental rates, selling and delivery fees needed to support Market operations
- analyze and develop rules and regulations to assure orderly operation of the Market
- develop mechanisms for enforcement of rules and regulations and impart to employees
- initiate appropriate action for those persons who violate rules and regulations. With hundreds of thousands of people trading at the Market and the nature of their business, this position is constantly thrust into unique and out of the ordinary circumstances that require immediate decision which affects persons on both sides of an issue with conflicting viewpoints. At time, the decision may involve considerable sums of money, damage to property, verbal, or physical abuse.
- interview, hire, counsel, motivate, and discipline employees. Work will be reviewed and evaluated for employees and workloads adjusted as needed