

2003 Updated Findings and Recommendations Concerning State Farmers' Markets 12/19/03

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KY may have a unique opportunity to establish a marketing infrastructure that will:

- ✓ Foster additional wholesale & retail opportunities for KY farms selling produce, landscape & greenhouse plants, meat, cheese, crafts and other value-added items.
- ✓ Open retail venues to introduce value-added products.
- ✓ Capitalize on two strong marketing trends: the popularity of farmers' markets and interest in agri-tourism.

Supporting facts:

- ✓ 72% of farmers' market visitors are interested in fresh fruit & vegetables to purchase.ⁱ
- ✓ 30% of the visitors surveyed at Kentucky Interstate Welcome Centers said they would be interested in visiting a local farmers' market.ⁱⁱ
- ✓ KY farmers' market vendors have not been able to capitalize on sales to tourists like some other states have (Table 1).
- ✓ Farmers' markets are popular, with over 3,100 markets operating in the US. Nationwide, the number of farmers' markets has increased 79% from 1994 to 2002.ⁱⁱⁱ
- ✓ Kentucky has farmers who can and do sell produce direct to the public. A recent UK survey showed approximately 55% of KY produce farms sold produce through on-farm markets and 47% sold produce at farmers' markets. (Table 2)
- ✓ KY farmers list harvest labor, market outlets and prices received as the three greatest obstacles to expanding their produce operations. (Table 3)
- ✓ Farmers will travel to profitable markets. Consumers on the other hand will not travel far out of their way to purchase local products. 75% of the NC farmers surveyed drove 50 miles or more to sell at their state farmers' markets. (Table 4)
- ✓ NC farmers have found that state farmers' markets and community farmers' markets can complement each other. (see NC farmers interviews in appendix)
- ✓ KY farmers rely more on direct market sales than farmers in NC or TN (Table 5), yet KY ranked below both these states in terms of average direct market sales per farm. (NC farms averaged twice the direct market sales of KY farms).^{iv} Therefore, we can expect that KY farmers would welcome additional direct marketing opportunities.
- ✓ Kentucky presently has 84 community farmers' markets in operation.
- ✓ Interest in diversified agriculture is evidenced by \$7.2 million dollars invested by 77 counties in the agricultural diversification program.

Many states in the South East have invested in state farmers' market facilities. Some of the markets were built primarily for wholesale sales, others for retail sales. The NC State Farmers' market system appears to be a successful model to facilitate sales to both wholesale and retail customers.

North Carolina - North Carolina developed a network of five large state-owned farmers' markets that generated \$184 million dollars in sales in 2002. Sales have been steadily increasing at an average rate of 10 percent annually. All of the markets are owned by the state and operated by the North Carolina Department of Agriculture and Consumer Services (NCDA). The markets are currently paying 75% of the operational costs from revenue generated with market fees and leases. They rely on legislative appropriations to cover the difference between operating costs and revenue generated. A market manager and operations staff, who are NCDA employees, operate each market.

A NCDA Marketing Specialist is located at each market to provide assistance to growers using the markets. Market operations and facilities include retail and wholesale covered sheds for farmer sales, year-round retail facility(s) with stall rental spaces, a garden center, restaurant(s) and wholesale facilities. Most components of the markets are open 364 days a year/24 hours a day. Wholesale operations, restaurants and garden centers are leased to private businesses on a long-term basis. Leases are a solid source of revenue. In contrast, the day fees charged to farmers for stall rentals at the sales sheds generate far less revenue. Daily stall fees range from \$1- \$7 dollars.

North Carolina State Farmers' Market Statistics

Market (Year Established)	2001 Total Sales	Estimated Retail Sales	No. of Visitors	No. of Farms Utilizing Market	FY 02-03 Revenue minus Expenses	Festivals / Promo Events
Raleigh* (1991)	\$100 million	\$16.6 million	2.3 million	450	+ \$154,525	24
WNC - Asheville (1977)	\$49 million	\$17.5 million	1.5 million	1,000	- \$273,651	6
Charlotte	\$8.5 million	\$3.4 million	625,000	232	-\$100,615	8
Piedmont Triad (1995)	\$25 million	\$8.0 million	1.4 million	691	-\$209,572	23
Lumberton ** (1999)	\$2.1*** million	\$2.1	324,000	44	-\$431,902	20
TOTAL	\$184.6 million	\$47.6 million	6.1 million	2,417 farms	-\$861,215	81 events

* Market is the new location of a wholesale facility that began in 1955.

** The newest market, all retail, no wholesalers located on the market *** 2002 sales

North Carolina Market Statistics:

- ✓ 6.1 million visitors were attracted to the NC state farmers' markets in 2002.
- ✓ Wholesale and retail sales opportunities were created for produce, nursery and greenhouse plants, meat, cheese, honey and other value-added products.
- ✓ 2,417 farms marketed products through the markets at some time during the year.
- ✓ \$184.6 million in total sales for all markets including wholesale sales. An estimated \$47.6 million dollars of these products were sold retail (direct to consumers at the market).
- ✓ NC state farmers' markets are covering approximately 75% of the operating costs with market fees and lease payments generated at the markets. The Raleigh market is the only market that generates a positive cash flow. Ideally, a well planned and managed market should be able to generate enough funds to pay the operating costs, once the market is fully functional. Fairly modest changes in the day use fee structure of the NC markets would potentially provide enough revenue to cover operating expenses.
- ✓ KDA interviewed 24 NC farmers who sold at their state farmers' markets in 2003. All of the farmers surveyed reported their marketing options have been increased by their state farmers' market system. Half of the farmers reported they expanded their production as a result of the state farmers' markets. Most of the farmers also sold products through other markets including community farmers' markets. (See attached interview results and comments.)
- ✓ NC farmers' market vendors surveyed thought bathrooms, permanent facilities, local flavor restaurants and snack stands were important to their markets success. Where farmers had access to permanent marketing facilities they were highly regarded as key factors necessary to market growth. (Table 6)

North Carolina State Farmers' Markets can be a successful model for Kentucky if the markets are carefully planned and managed. Key factors for success:

- 1) **Location of the market is critical.** State Farmers' Markets should only be built where there is a large resident population base, on major roadways such as interstate highways with very large traffic flows and preferably in close proximity to major tourist destinations.
- 2) **Use a deliberate strategy to locate markets where they will have the greatest impact and chance for success.** This objective cannot be accomplished with a community grant proposal process.
- 3) **State ownership and management** is needed in order to successfully locate and fully support a network of farmers' markets with consistent operations, rules and promotional capabilities.

- 4) *State farmers' markets do not generate enough revenue to pay for the initial construction costs for a new market.* At best a well-designed and managed market can generate enough revenue to pay the annual operating costs. Fees can be carefully developed in connection with a realistic operations plan to cover most of the operating expenses.
- 5) *Wholesale produce businesses should be acquired as anchor tenants.* This is needed in order to secure a steady source of lease revenue to offset expenses. In addition, having wholesalers located at the market will foster interaction between local farmers with products to sell and wholesale produce buyers.
- 6) *Good energetic management is needed to succeed.*

Recommendations:

The Agricultural Development Board (ADB) needs to create and articulate a vision for a network of state farmers' markets. In our opinion, marketing infrastructure should be developed with the primary objective to maximize marketing opportunities for all KY farmers. Market design and incentives need to be in place to allow these markets to work together in a network. This network must have well-placed facilities, shared promotional strategies, common marketing rules, management and administrative resources, and other technical marketing assistance for farmers.

- I. It is recommended that a network of three state farmers' markets ultimately be built. These markets should be owned by the Commonwealth of Kentucky and operated by the Kentucky Department of Agriculture (KDA). This is a long-term goal; the first step should be to build one market in the best site possible considering the factors that have lead to success in NC. (See appendix maps 1&2)
- II. It is recommended that the ADB set aside \$8-10 million dollars to fund the first state farmers' market. (see table 7. NC value of market assets). These funds should be used to: 1) empower KDA to develop a complete business plan to locate, build, operate and cash flow a state farmers' market, and 2) when provided an acceptable plan, fund the construction and initial operation of the market.
- III. The Kentucky Department of Agriculture should be required to:
 - a) Create an efficient and cohesive system of farmers' market facilities across the state that will maximize the marketing opportunities for all KY farmers. These facilities will benefit from prominent locations, facilities for both wholesale and retail sales and economies of promotion, oversight, and support. The newly constructed marketing facilities are expected to compliment the other direct marketing activities as in North Carolina.
 - b) Submit annual performance reports for each market to the ADB, Governor and House & Senate Agriculture Committees.
 - c) Make recommendations to the Legislature and the Governor concerning continuing funding, expansion of existing markets, and proposals to create new markets.

ⁱ Feasibility Study for Kentucky Regional Marketing Facilities, Woods, Hoagland, Rowell and Mansfield, 1999 – pg 14

ⁱⁱ Feasibility Study for Kentucky Regional Marketing Facilities, Woods, Hoagland, Rowell and Mansfield, 1999 – pg 15

ⁱⁱⁱ USDA at AMS, <http://www.ams.usda.gov/farmersmarkets/facts.htm>

^{iv} 1997 USDA Census of Agriculture

Appendix: Pages 4 - 6

TABLE 1. 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	91.1	90.9	90.2	84.4

Source: Feasibility Study for Kentucky Regional Marketing Facilities, Woods, Hoagland, Rowell and Mansfield, 1999 – pg 13

* A tourist is defined here as a patron to the market coming from more than 50 miles away.

TABLE 2. Markets Used By KY Produce Growers In 2002
Percent of 310 Growers Responding

On-Farm Direct Markets (U-Pick, Farm Stand)	55%
Farmers' Markets	47%
Direct to Grocery	28%
Wholesale, Non Co-op	20%
Wholesale, Cooperatives	18%
Direct to Restaurants	14%
Auctions	10%
Other (Internet, Subscription/CSA, etc.)	8%

Source: Woods, T. and M. Ernst, 2003 Planting Intentions and Outlook, U Kentucky, April 2003.

TABLE 3. Limiting Factors to Expand Produce Operation by Kentucky Farmers

Factor	Percent Indicating Limiting ^{iv}
Harvest labor availability	48
Market Outlets	46
Prices received	45
Cooling	38
Labor management	33
Labor housing	28
Irrigation	23
Insect control	23
Weather	22
Land	21
Equipment	14
Disease control	13
Transportation	10
Credit availability	8

Source: Woods, T. and M. Ernst, 2002 Planting Intentions Survey

TABLE 5. Distribution of Estimated Produce Sales by Outlet for Kentucky, N. Carolina, and Tennessee

Outlet	Kentucky %	N Carolina %	Tennessee %
Direct to Consumer	52.4	11.6	32.8
Direct to Retailer	11.2	29.0	16.4
Direct to Local Restaurant	0.0	0.0	0.6
Wholesale market (non-coop)	11.4	28.7	44.1
Cooperative	20.8	2.7	2.4
Processor	0.1	9.7	3.0
Shipper, Packer	0.4	17.4	0.2
CSA subscription sales	1.4	0.8	0.4
Auctions	2.3	0.0	0.0

Source: Eastwood, D. et al, Changing Produce Marketing Barriers: A Comparison Among Three Southern States, J Ag and Applied Economics August, 2003

TABLE 6. 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	16.4	72.7	46.5	n/a	55.2

Source: Feasibility Study for Kentucky Regional Marketing Facilities, Woods, Hoagland, Rowell and Mansfield, 1999 – pg 14

TABLE 7. Value Of North Carolina State Farmers' 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: N. Carolina Department of Agriculture. Farmers Markets Special Review February 1996

North Carolina Farmer Interviews on their State Farmers' Markets

Twenty-four North Carolina farmers were interviewed to determine what makes the state markets work in North Carolina.* All reported a reliance on the state markets to be a consistent market for their product. Some used the market for handling surplus and others used the market as their primary market, but all relied on the market to offer a range of marketing opportunities from wholesale to retail.

An important result of the state market system is that the system serves as a support for an increase in farm production and making farming more viable. "Without the regional market, farming would not have been profitable for us, we may have sold the farm and moved on," said one farmer who sells at Piedmont Triad in Greensboro.

Many reported not only increased sales and production but also the expansion into different varieties of products. One farmer characterized the markets as a good place to break into the value-added market with some guarantee that the customers would be drawn in by the state market. Others reported their first experiences with selling to restaurants occurring at the state market.

The state markets have not replaced community farmers' markets or on-farm markets but serve as an additional outlet. Most interviewed sold their products at more than one outlet; many at retail outlets, such as roadside stands or on-farm markets. Others sold to wholesale markets and only sent surplus product to state farmers' markets.

Buyers and sellers meet at the state market to do business. The buyers know they will find product there and can see what is being offered by others as well.

In conclusion, the state markets provide a consistent, easily accessible market for farmers of all levels. The existence of the state markets encourages farmers toward higher production and new products with the assurance that the market will serve as a marketing opportunity for that product. Location and energetic management are keys to providing this opportunity.

Table 4. Number of North Carolina Farmers Responding Positively (24 farmers surveyed)

State Farmers' Markets Increased Marketing Options	24	Use the State Farmers' Market for Wholesale	13
Expanded Production in Response to Having State Market	12	Use State Farmers' Market for Retail	15
Sells at Other Outlets as Well	21	Sells More Than One Product	17
Drive 50 Miles or more to Market	18	5 or More Years Selling at State Farmers Market	13

**Blind calls were made to farms listed on the NC Fresh website. Farmers were chosen solely on the basis that they had some experience with sales at one of the state farmers' markets in North Carolina.*

Definitions:

Farmers' Market: A farmers' market is an organized group of farmers who regularly, at set days and times, meet at a particular location to individually sell agricultural food and plant items that they have produced directly to consumers.

Community Farmers' Market: An open-air farmers' market that is located and associated with a particular city, county or location. These markets are locally managed and seasonal and offer a marketing opportunity to local community members involved in different levels of agricultural production. Examples: Franklin County Farmers' Market, Lexington Farmers' Market, Bardstown Road Farmers' Market (in Louisville).

Public Market: A collection of year-round shops and stalls housed in a large indoor warehouse type space that sell food and regionally-made specialty items, such as jams, jellies, baked goods, cheeses, flowers, plants, locally-grown meats and seafood, and crafts. Public Markets often have a number of ready-to-eat, hot and cold food offerings as well. Public Markets may have an outdoor area where seasonal Farmers' Markets are held. Public Markets are typically located in downtown historic marketing facilities in larger cities. Examples include: North Market in Columbus OH, Finley Market in Cincinnati OH, and Pike's Place Market in Seattle, WA.

Shipping Point Markets: Shipping point refers to a location where produce is consolidated into larger lots for sale into wholesale food channels. At shipping Point Markets produce is received, packed and or repackaged and sold to wholesale customers, such as food distributors, wholesalers, restaurants and grocery stores. Virginia has built a network of state-owned facilities that are located near the produce growing areas. These warehouse type buildings with loading docks and coolers are leased to private businesses that buy from Virginia farmers. Kentucky has invested in farmer-owned produce marketing cooperatives that perform shipping point functions.

Produce Wholesaler: A for profit business that purchases produce from produce growers and shippers and then resells the produce in smaller amounts to restaurants, grocery stores and food service customers by providing delivery service and single source shopping for all the customers produce needs.

State Farmers' Markets: For our reference, we are using this term to mean North Carolina style state-owned facilities that have buildings and facilities for produce wholesalers, year-round indoor retail food and craft shops, outdoor sales sheds for farmers retail & wholesale sales, a nursery/garden center and a restaurant. These state farmers' markets have components that include farmers' markets, shipping point markets, produce wholesalers, public markets, plus a restaurant and nursery/garden center.

Selected comments from North Carolina farmers regarding the state farmers' markets –

"Without the regional market farming would not have been profitable for us. We may have sold the farm and moved on."

"If it hadn't been for the market we would have been out of business."

"I count on market to sell a percentage of my crop. Without (state farmers' markets) I would be hurting."

"We grow much more because the market is there."

"I depend on the income from that market."

The state farmers' markets have "allowed us to expand. We couldn't make it without the market."

"State farmers' market allows me to move product so I don't have to deep discount it to get rid of it."

"It is not unusual for a retail seller on a single Saturday in season to bring in \$4000 (at the market)."

"Kentucky farmers bring a lot of cantaloupes to the Raleigh market."

"The markets are a good way to break into the value-added market."

1999 KY Farmer Interest in Use of a Marketing Facility

Interest in selling through a regional farmers' marketing facility located within 1 hr. of farm

Interstates NOT to scale



