



2005 Kentucky Produce Planting & Marketing Intentions Survey and Outlook

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Summary

The 2005 Kentucky Produce Planting & Marketing Intentions Survey measured marketing practices and planting intentions of Kentucky fruit and vegetable growers, focusing primarily on commercial vegetable growers. This is the fourth consecutive year this survey was conducted. This year's survey was returned by 235 produce growers representing 2,433 commercial vegetable acres and 403 commercial fruit acres. An additional 50 surveys of the 1,178 mailed were returned but unusable. This represents a 24% response rate and approximately 40% of commercial produce acreage in Kentucky.

Survey responses, combined with a continued decrease in acreage contracted by Kentucky's four vegetable marketing co-ops, indicate that direct marketing will continue to drive growth in Kentucky's fledgling produce industry for 2005. Gross sales of Kentucky produce will increase by about 5 percent in 2005, falling between \$30 and \$36 million. Commercial vegetable acreage will likely remain under 7,000 acres while commercial fruit acreage will remain at its 2004 level of 3,200 acres. Specific crop acreage forecasts are reported in Appendix 3 at the end of this report.

Structural Changes: Tobacco Production

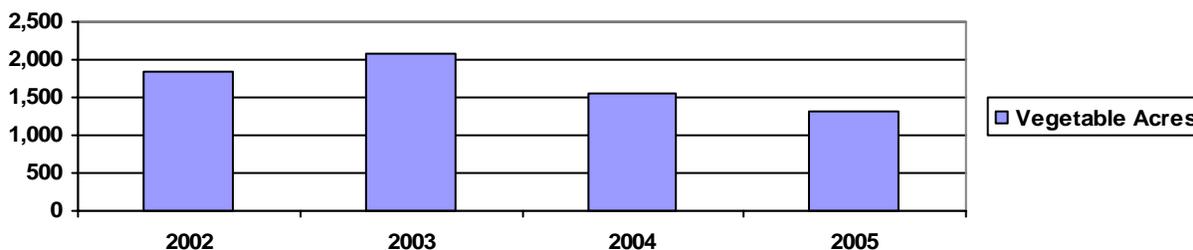
Large numbers of Kentucky's tobacco growers will exit tobacco production in 2005, making it a potentially significant year for structural changes in Kentucky agriculture. The impact of this exit on total farm incomes is yet to be determined.

About 45% of the producers responding to this survey said they grew tobacco on their farm in 2004. This is consistent with the percentage in previous years. About one in three (37%) of those who grew tobacco in 2004 indicated they would *not* grow tobacco in 2005. Some of the growers who will not grow tobacco in 2005 indicate they were interested in expanding vegetable production in the future; however, it was beyond this survey's scope to pinpoint the extent to which tobacco transition is drove their desire to expand commercial produce acreage in 2005.

Vegetable Acreage Decreases Due to Co-op Shifts

Responding growers indicated a 293-acre decrease in vegetable acres. This decrease is primarily due to the exit of some larger producers from Kentucky's vegetable marketing co-ops. The percent of growers responding to this survey who used cooperatives to market any fresh produce has decreased from 17% in 2002 to 11% in 2004. Co-ops have reduced their production acreage by over 200 acres (15%) from 2004 levels. This shift is due to members exiting co-op production and managerial decisions to focus on higher value crops (Fig. 1).

Figure 1. Kentucky Vegetable Co-op Acres, 2002-05



Co-op managers hope that handling some higher value crops will increase co-op sales over 2004 levels. In spite of co-op marketing uncertainty and an overall reduced wholesale vegetable acreage, the 2005 value of Kentucky vegetable and fruit production will continue to rise as producers are discovering other, profitable markets, including many direct markets.

Changes in co-op acreage, by crop, from 2002-2005 are reported in Appendix 1.

New or Expanding Markets

Farmers' Markets

Kentucky farmers' markets have tripled in number during the past decade. There were 97 farmers' markets registered with the Kentucky Department of Agriculture in 2004 with projected gross sales of \$6-\$8 million. Farmers' markets account for about one-quarter of all Kentucky farm produce sales.

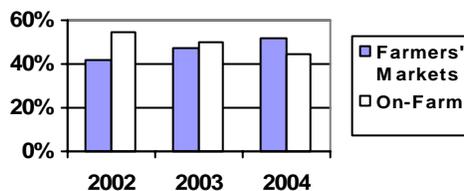
The percentage of respondents to this survey using farmers' markets to sell 10% or more of their produce has increased by 5% per year since 2002. In 2002, 42% of respondents indicated they sold 10% or more of produce at farmers' market. In 2003, the level rose to 47%; in 2004, 52% of respondents said they sold 10% or more of their produce at farmers' markets in 2004.

Because the survey's anonymity does not guarantee the same producers respond each year, the actual percentage of farmers' market participation may vary. When compared with a more rapid rate of growth in the number and gross sales at Kentucky farmers' markets since 2002, the 5% annual increase in farmers' market participation suggests that farmers' markets are multiplying as growers participate in multiple markets. This is supported by anecdotal evidence and observations of farmers' market member list information from around the state.

Another likely possibility for the increase in farmers' market sales and participation is a decrease in the number of growers reporting that they market produce from their farm, from 55% in 2002 to 45% in 2004. In 2002 and 2003, 15-20% of growers not using Pick Your Own (PYO) marketing indicated they would be interested in PYO in the future. In 2004, only 10% indicated interest in PYO.

Liability issues are most frequently cited by this survey's respondents as a barrier to U-Pick and other on-farm marketing (Fig. 2).

Figure 2. Percent of Growers Selling Over 10% in Market Channel



Restaurants

The percent of Kentucky growers selling produce to local restaurants has remained static since 2002. However, in August 2004, the Kentucky State Resort Park Restaurants began purchasing fresh produce from Kentucky farmers.

This opens up a \$500,000 market for fresh produce to growers around Kentucky. State park restaurants also want to source additional fresh product to replace frozen product. This program could substantially increase the number of Kentucky produce growers reporting restaurant sales as 10% or more of gross produce income (14% in 2004).

Auctions

The percentage of respondents selling produce through auctions increased slightly during 2004. This is undoubtedly due to auctions that began in Lincoln, Bath, and Mason counties in 2004. The Fairview Produce Auction, in Christian County, continues to grow in popularity and sales volume.

All auctions have the dilemma of attracting enough buyers and sellers to create a vibrant local market. It remains to be seen if a preference for fresher produce and the renaissance toward eating locally produced food will expand far enough in Kentucky to adequately support emerging produce auctions. However, these produce auctions can currently fill a niche as part of a diverse direct and wholesale marketing plan.

Wineries

The University of Kentucky's Department of Horticulture reports that Kentucky wine grape production more than doubled in 2004.¹ Kentucky grape production was estimated at 423 tons for 2004, a 123% increase over 2003 production. Kentucky wineries increased their use of Kentucky-grown grapes significantly in 2004, from 55% to 71%.

Kentucky wineries appear to be a continued future market for Kentucky grape growers. According to the Horticulture report, the six largest wineries (all in Central Kentucky) decreased the proportion of out-of-state grapes used in winemaking from 43% in 2003 to 28% in 2004.

Several factors account for the increase in wineries' use of Kentucky grapes. There are increasingly more bearing grapevines in Kentucky as wine grape plantings mature. In addition, new growers are improving their cultural techniques. Finally, wineries continue to expand production and sales. These factors will continue to increase gross farm receipts from grape sales in 2005.

¹ Chris Smigell, John Strang and Kaan Kurtural. "Kentucky Winery Purchasing and Production Survey." *Kentucky Fruit Facts*, May 2005. <http://www.ca.uky.edu/fruitfacts/ffmay05.pdf>

Produce Grower Demographics: 2001-2004

Age and Experience

Significant expansion has occurred in Kentucky's produce industry since 1998. Kentucky's farm operator population continues to age, and this produce expansion has primarily happened on farms operated by older (>50) operators. Responses to questions about age and experience this year, as in previous years, reflect these general assumptions (Table 1). Producer years of experience in growing produce shifted toward more experience after remaining static from 2001-2003 (Table 2). This may represent a real shift as growers are gaining more experience, or simply be due to a smaller sample size from this year's survey.

Table 1. Surveyed Producer Age, 2001-04

	Under 30	31-40	41-50	51-60	>60
2001	7%	14%	31%	24%	23%
2002	5%	14%	29%	27%	25%
2003	6%	10%	30%	26%	27%
2004	4%	9%	31%	26%	27%

Table 2. Years of Experience Growing Produce 2001-04

	Less than 3	3 to 6	7 to 10	Over 10
2001	25	23	14	38
2002	15	32	15	38
2003	15	33	13	38
2004	6	28	15	48

Tobacco Production

For the past three years, this survey has asked produce growers if they raise tobacco. Responses have been similar for each year: 44 percent in 2001, 46 percent in 2002, and 41 percent of 2003 respondents said they had produced tobacco. On this year's survey, 45 percent of respondents replied that they had grown tobacco in 2004 (Table 3). Future surveys will help document actual exit of produce growers from tobacco production after effects of the tobacco buyout.

Table 3. Percent of Respondents Growing Tobacco

	Grew Tobacco and Produce	Percent Anticipating Tobacco Production in 2005
2001	44%	
2002	46%	
2003	41%	
2004	45%	28% of respondents (62% of 2004 tobacco growers)

Certified Organic Production

Certified organic production of fruits and vegetables has decreased in Kentucky since 2001, primarily because of producers unwilling to renew organic certification after changes in certification requirements. However, as in previous years, a significant number of growers (30%) said they were interested in future organic production. Nearby market potential and new administrative support for Kentucky's organic certification process could bode well for growers interested in organic production.

Conclusions/Outlook

Primarily fueled by growth in direct marketing, sales from Kentucky's produce industry will increase by at least 5% in 2005. If wholesale marketers, especially vegetable co-ops, experience good growing conditions and improve marketing, gross sales may increase closer to 10%. Produce continues to emerge as an additional source of income for many Kentucky farms and, as marketing and management expertise are increasing annually, this sector should continue its modest rate of a 5-10% increase in gross sales.

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Appendix 1. Vegetable Co-Op Acreage Changes

	2005 (Projected)	2004	2003	2002
Broccoli	253	70	75	35
Cabbage	70	150	175	166
Cantaloupe	25	80	78	83
Sweet Corn	378	700	718	712
Cucumbers	65	61	77	49
Peppers	200	310	290	295
Potatoes	25	0	150	120
Pumpkins	166	90	195	264
Squash (Summer)	27	29	41	46
Tomatoes	25	52	57	68
Watermelon	73	22	20	10
Eggplant	10			
Total Acreage	1,317	1,564	2,075	1,848

Appendix 2. Percent of Growers Reporting 10% or More Gross Sales from Specific Markets

	2002	2003	2004
Farmers' Markets	42%	47%	52%
On-Farm Direct Markets (U-Pick, Farm Stand)	49%	44%	37%
Direct to Grocery	21%	14%	15%
Wholesale, Non Co-op	17%	15%	17%
Wholesale, Cooperatives	17%	15%	11%
Direct to Restaurants	5%	7%	7%
Auctions	9%	8%	10%
CSA/Subscription	3%	2%	2%

Appendix 3. Percent of Growers Reporting Any Quantity of Gross Sales from Specific Markets

	2002	2003	2004
Farmers' Markets	47%	53%	55%
On-Farm Direct Markets (U-Pick, Farm Stand)	55%	50%	45%
Direct to Grocery	28%	21%	20%
Wholesale, Non Co-op	20%	17%	20%
Wholesale, Cooperatives	18%	15%	11%
Direct to Restaurants	14%	12%	14%
Auctions	9%	9%	12%
CSA/Subscription	3%	3%	2%

Table 3. Surveyed KY Acreage and Commercial Planting Intention Projections, 2005

	<i>2002 USDA Estimated Acreage (Ag Census)</i>	<i>2004 Production Estimate</i>	<i>2005 Acreage Forecast</i>	<i>2004-05 Percent Change</i>
Asparagus	44	35	40	14%
Beans, Snap	541	170	200	18%
Beets	8	10	10	--
Broccoli	49	100	280	180%
Cabbage	262	260	200	-23%
Chinese Cabbage	25	<10	<10	--
Cantaloupes	575	550	500	-9%
Carrots	2	<10	<10	--
Cauliflower	N/A	<10	<10	--
Chicory, Endive	N/A	<10	<10	--
Corn, Sweet	2010	2250	2000	-11%
Corn, Ornamental	N/A	25	30	20%
Cucumbers, Fresh	146	110	120	9%
Eggplant	2	15	25	67%
GARLIC	8	10	10	--
Greens (Collards, Kale, Mustard, Turnip)	81	75	80	7%
Lettuce - Leaf, Head, & Romaine	14	20	20	--
Lettuce (Greenhouse)	N/A	<10	<10	--
Okra	12	10	15	50%
Onions (Dry & Green)	13	25	25	--
Ornamental Veggies.	N/A	40	40	--
Parsley	N/A	<10	<10	--
PEAS	6	<10	<10	--
Peppers, Bell	348	400	325	-19%
Peppers, Jalepeno	52	50	55	10%
Peppers, Other	N/A	30	40	33%
Potatoes, Red	N/A	125	130	4%
Potatoes, White	N/A	250	275	10%
Pumpkins	1524	950	1000	5%
Squash, Summer	136	100	105	5%
Squash, Winter	N/A	20	25	25%
Sweet Potatoes	N/A	20	25	25%
Tomatoes, Field	911	550	575	5%
Tomatoes, Greenhouse	N/A	<10	<10	--
Watermelons	450	450	500	11%
Herbs	12	60	70	17%
Cut Flowers		25	30	20%
Other Vegetables	69	60	65	8%
Apples	1920	1800	1800	--
Blackberries	86	100	110	10%
Blueberries	61	50	62	24%
Grapes ¹	489	220 (bearing)	250 (bearing)	14%
Peaches	408	500	500	--
Pears	74	50	50	--
Raspberries	20	40	40	--
Strawberries	216	210	210	--
Other Fruits	26	25	25	0%

¹Kentucky grape production was estimated at 423 tons for 2004, an increase of 123% over 2003 production. Chris Smigell, John Strang and Kaan Kurtural, "Kentucky Winery Purchasing and Production Survey" *Kentucky Fruit Facts*, May 2005. <http://www.ca.uky.edu/fruitfacts/ffmay05.pdf>