Produce Auctions

INTRODUCTION
A produce auction is a market outlet for locally produced wholesale products. Fresh produce, as well as a variety of other agricultural products, are offered for sale to the highest bidder. The auction charges the seller a commission, usually a percent of sales, to cover the auction’s operating expenses.

The following produce auctions were operating in Kentucky during 2015:
- Bath County Produce Auction
- Casey County Produce Auction
- Fairview Produce Auction (Christian County)
- Hart County Produce Auction
- Lincoln County Produce Auction

The purpose of this publication is to provide a general overview of produce auctions. The first section discusses the topic from the perspective of using a produce auction as a marketing tool; the remainder is directed to those considering organizing a produce auction in their area. Contact information for Kentucky’s produce auctions, along with links to case studies and selected resources, can be found at the end of this profile.

FITTING INTO YOUR MARKETING PLAN
Some Kentucky growers use produce auctions as their primary marketing mechanism. For many producers, however, the produce auction is only one piece of their marketing plan. Grower surveys conducted from 2004 to 2012 funded by the New Crop Opportunities Center/Crop Diversification & Biofuels Research & Education Center (now the Center for Crop Diversification or CCD) indicate:
- Nearly 20% of all Kentucky produce growers surveyed in 2012 said they sold more than 10% of their farm’s produce through produce auctions, the highest percentage recorded since produce grower surveys began
- About one-third of all growers using produce auctions use the auction to sell more than 75% of their produce
- About 20% of produce auction sellers use the auction to market a small quantity (less than 10%) of their total produce

As the total number of produce growers has increased in Kentucky, individual auctions report seller numbers have also increased. However, the surveys also show the majority of registered auction sellers rely on auctions to market less than 50% of their farm’s produce. Produce auctions in Kentucky, therefore, fill a necessary role.
niche for large-scale growers seeking occasional markets, as well as small-scale growers marketing greater quantities. The Lincoln, Fairview, and Hart County auctions also provide vital markets for Amish and Mennonite farmers in their areas.

The benefits of selling through produce auctions include:

• Set days and times for delivery
• Ability to group produce into various lots
• Ability to “test market” new products or sizes of produce for wholesale

The primary risk in using a produce auction is price uncertainty. Produce auctions are dependent on attracting an adequate number of buyers to support the quantity of product offered. Prices can fluctuate from week to week based on supply (amount of produce available for sale) and demand (the number of buyers). The auction adage that “it only takes two bidders” to get the highest price is true. However, it is also true that those two bidders may not be able to use the large quantity of produce offered that day.

Growers considering produce auctions as part of their marketing plan need to realize the seasonal and price volatility of auctions and other wholesale produce markets. Updated price reports for Kentucky’s produce auctions are posted on the University of Kentucky CCD website. Following and observing auction prices can provide an idea of what volumes and price ranges to expect when you begin to sell produce at an auction.

Produce auctions present many opportunities for growers to discover different markets. Seasonal opportunities, like fall ornamentals and vegetable production using season extension techniques, may be evaluated for what wholesalers are willing to pay. Different grades and sizes, as well as different kinds of package sizes and materials, may also be preferred locally or regionally.

While an auction offers a place to discover these market differences, there are other factors that can affect prices received at auctions. Quality, placement of lots in the auction order, and lot size can all affect price. Ultimately, bidder profile will determine much of the auction’s organization. For example, an auction where most of the buyers are end consumers may offer some smaller lots to meet consumer preferences — and these lots will often command greater prices per unit.

**User Ownership and Commitment**

Produce auctions are quite popular in communities where a core group of producers is committed to marketing their highest quality produce through the auction. Auctions have flourished in Amish and Mennonite communities, but auction success does not have to be confined to these groups. The
key to a produce auction, or any other marketing effort requiring a group to work together, is user commitment and ownership. Auction members, especially founding members, must be committed to using the auction to market a substantial volume of high-quality produce. The success of auctions in Mennonite and Amish areas is due to the commitment of those communities to making their auctions work, in addition to attracting regular buyers to the auctions through high product quality.

**PRODUCT QUALITY**

To be viable, a produce auction will need a critical volume and mix of quality products. The year-round success of the Fairview Auction is due in part to a consistent volume and variety of produce offered throughout the season. There is also a commitment from many producers to continually market their produce through the auction in spite of expected price fluctuations. This commitment results in a year-round supply of seasonal products: greenhouse-grown plants in the early spring; fresh fruits and vegetables through the fall; and fall fruits and vegetables, ornamentals, hay, and straw through the winter.

The importance of non-food crops to a produce auction’s success cannot be overstated. Sales of ornamentals — spring bedding plants and planters, as well as fall ornamentals — have helped increase the sales volume of Kentucky’s most successful produce auctions. Local consumers and homeowners have become strong supporters of several produce auctions, while wholesalers purchase larger quantities and increase sales volume. This dynamic makes ornamentals important crops in the produce auction mix.

**DEVELOP A REGULAR BUYER BASE**

The success of an auction is based largely on its ability to attract buyers. High quality products are essential to attracting high quality buyers. Regular contact with actual and potential buyers by an auction’s management, as well as identifying new buyers, is also critical. New auctions should plan to spend a significant amount of time and money on advertising and promotion to contact and attract probable customers.

The produce auction should remember that not all buyers will purchase the same types of produce. Buyers may also prefer different types of packaging and, in some cases, have differing quality preferences.

Some types of buyers regularly attracted to produce auctions in Kentucky and Ohio are:

- Farmers market vendors
- Foodservices
- Local grocers
- Local restaurants
- On-farm markets
- Private citizens
- Produce wholesalers
- Roadside produce vendors
A delivery network will also develop as an auction progresses. Delivery services to population centers for high quality products purchased at auction may be something that an auction wishes to formally or informally develop.

Auctions may also want to develop an order buyer system. An order buyer is someone who bids on items for a buyer that is not able to attend. This can help auctions generate more sales, but care must also be taken to only take orders from reputable buyers. Auctions or producers with questions concerning the credit rating of a potential buyer can access that information through Red Book Credit Services. You may contact the University of Kentucky’s Department of Agricultural Economics for access to this resource.

**Product and Packaging Guidelines**

*Produce quality should be defined by the auction and inferior produce should be rejected, with no exceptions.* Auctions will find that establishing guidelines for how produce is packaged will help present buyers with a uniform product. Sample lists of industry standard containers may be obtained by referencing the packaging requirements publication from North Carolina State University in the resource list on the next page. Container guidelines should be developed only after consulting potential auction buyers for their preferences. Auction sellers may discover that buyers prefer certain kinds of packaging over others, providing possible price and profit benefits.

For larger wholesalers, a weakness of produce auctions has been observed to be the inability to provide product traceback or other food safety verifications. These obstacles are not insurmountable, and new produce auctions would be prudent to address these issues with their growers from the outset to increase long-term auction sales volume.

**Kentucky Produce Auctions**

**Bath County Produce Auction**

2914 East Highway 60, Owingsville, KY 40360

*Directions:* The auction is held at the Agricultural Education and Marketing Center at the intersection of I-64 Exit 123 and U.S. 60.

*Contact:* Joe Girod  
*Phone:* (606) 336-0601  
*Auction Managers:* Joe Girod Family  
*Auctioneer:* Bobby Rogers

**Casey County Produce Auction**

524 South Fork Creek Rd., Liberty, KY 42539

*Directions:* From Liberty, take U.S. 127 south for approximately 8 miles; turn left onto KY 910 and travel about 1.8 miles; take a left on to South Fork Creek Road; the auction will be about 1 mile down this road, on the right.

*Manager:* Milton Brubacker  
*Market Manager:* Paul Hoover  
*Phone:* (606) 787-5158 (office)  
*(606) 787-1260 (FAX)*  
*Market report recorded message:* (606) 787-0570  
*Auctioneer:* 1st Choice Auction Service, Steve Fox
**Fairview Produce Auction (Christian County)**

10292 U.S. Highway 68E, Pembroke, KY 42266

*Directions:* Auction is located 10 miles east of Hopkinsville, KY on U.S. 68/KY 80, one-half mile west of Jefferson Davis State Historic Site (monument park).

*General Manager:* Ralph Burkholder  
*Phone:* (270) 887-0053  
*Fax:* (270) 887-0475  

*Order Buyer:* Joseph Hoover

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**Hart County Produce Auction**

6880 Cub Run Highway, Munfordville, KY 42765

*Directions:* From I-65 take Exit 65, turn left onto Hwy 31W, drive 1.7 miles, go right on Hwy 88 (4th Street), and continue on Hwy 88 (right on North West Street) and go 5.7 miles to the auction.

*Auction Manager:* Wilmer Yoder  
*Phone:* (270) 524-0005  
*Fax:* (270) 524-7812

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**Lincoln County Produce Auction**

2896 KY 39 North, Crab Orchard, KY 40419

*Directions:* Located on KY 39 approximately 8 miles south of Lancaster; auction is on the left.

*Auction Manager:* Lloyd Schrock  
*Phone:* (606) 355-0030  
*Market report recorded message:* (606) 355-0001  
*Auctioneers:* Billy Bryant and Ford Bro’s.

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**Out-of-state Produce Auctions**

**Arthur Produce Auction**

354 N CR 100E, Arthur, IL 61911  
*General Manager:* Sheldon Raber  
*Phone:* (217) 543-5100 and (712) 432-1699

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**Mt. Hope Auction**

8076 SR 241, Millersburg, OH 44654

*Owners and Managers:* Steve Thurman and Chester Mullet  
*Phone:* (330) 674-6188  
*Fax:* (330) 674-3748  
*Web:* [http://www.mthopeauction.com](http://www.mthopeauction.com)

• Produce Auctions in Missouri (University of Missouri Extension) [http://agebb.missouri.edu/hort/auction/index.htm](http://agebb.missouri.edu/hort/auction/index.htm)

**Case Studies**

• Fairview Produce Auction, Inc., AEC-EXT 2001-06 (University of Kentucky Department of Agricultural Economics, 2001)  
[http://www.uky.edu/Ag/AgEcon/pubs/ext_aec/ext2001-06.pdf](http://www.uky.edu/Ag/AgEcon/pubs/ext_aec/ext2001-06.pdf)

• Fennimore Produce Auction (University of Wisconsin Extension, 2010)  

• Plowboy Produce Auction (University of Tennessee, 2008)  
[https://ag.tennessee.edu/cpa/Documents/Success%20Stories/PlowboyProduce.pdf](https://ag.tennessee.edu/cpa/Documents/Success%20Stories/PlowboyProduce.pdf)

**Selected Resources**

• Kentucky Produce Auction Report (University of Kentucky)  
[http://www.uky.edu/ag/CCD/auctions.html](http://www.uky.edu/ag/CCD/auctions.html)

• Packaging Requirements for Fresh Fruits & Vegetables (North Carolina State University, 1996)  

• What is a Produce Auction? (Missouri State University) 3.5 MB file; 63 pages  
[http://agebb.missouri.edu/hort/auction/auctions.pdf](http://agebb.missouri.edu/hort/auction/auctions.pdf)