The Future of Farmers’ Markets and Their Role in Expanding the Local Food Movement

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Navigating the Local Food Scene
Farmers Market Managers Conference
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Presentation overview

• Overview of national statistics
• Demand for farmers’ markets – spatial variations
• Changing buyer and consumer preferences
• Future role of farmers’ markets
  – sources for potential demand
Data challenges

• Most USDA data collected by commodity not market channel

• USDA AMS Market manager survey ~4 yrs
  – Only of existing markets
  – No farm-level information
  – Many markets have volunteer manager

• USDA NASS

• USDA ARMS
Importance of local food sales

Still represents a very small share of national food supply:
• 1978-2007, farms that engaged in D2C food sales represented
  • 5.5% of all farms, on average
  • 0.3% of total farm sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Agricultural Sales ($000)</th>
<th>D2C Sales of Ag. Products for Human Consumption</th>
<th>Ratio of D2C Sales to Total Ag. Sales (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>297,220,491</td>
<td>1,211,270</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Source: U.S. Census of Agriculture 2007
Demand?

Recent growth in local food has been **very rapid**:

**USDA 2007 Census of Agriculture:**
- D2C sales increased 3X from 1992-2007
  - $404M to $1.2B
  - Grew 2X as fast as total ag sales in U.S. (105% vs. 48%)

**USDA-ERS report (2008 ARMS data):**
- Local food sales including intermediated sales = $4.8B

2012 Census data released soon – will help to delineate between local food sales outlets
National Count of Farmers Market Directory Listings

Source: USDA-AMS-Marketing Services Division

Farmers Market information is voluntary and self-reported to USDA-AMS-Marketing Services Division
Value of D2C farm marketing by region

Source: USDA AMS 2009
Growth of D2C farm marketing by region

Source: USDA AMS 2009
Top 10 states D2C food marketing as share of total agricultural sales

Source: USDA AMS 2009
According to USDA’s National Farmers’ Market Directory, 7,828 farmers’ markets were operating in the United States in August 2012. Of the 3,143 U.S. counties, 33 percent had no farmers’ markets, 29 percent had 1 market, 21 percent had 2 or 3 markets, 12 percent had 4 to 10 markets, and 5 percent had more than 10 farmers’ markets. The 143 counties with more than 10 farmers’ markets account for almost 40 percent of the Nation’s farmers’ markets. All but 10 are metro-designated counties where higher population concentrations provide a larger customer base. Half of these 143 counties are located in 6 States--California and 5 East Coast States. In 2011, 129 U.S. counties had more than 10 farmers’ markets.

Phil Kaufman, pkufman@ers.usda.gov

The value of farm direct sales to consumers was greatest in highly urban areas in 2007

Direct sales to consumers, by county
- Median sales or less
- $123,000 up to $1 million
- $1 million up to $2.5 million
- $2.5 million or more
- Not available/disclosure issues

Demand?

Demand Drivers Among Consumers

Farmers’ markets provide shoppers the opportunity to:

• Obtain food items with superior quality characteristics
  – Freshness, flavor, ripeness, enhanced shelf-life
• Learn about farming practices – which engenders trust (social capital!)…amidst a backdrop of food safety concerns
• Support local ag and small business development
• Preserve local farmland/open space by supporting economically productive use of land

Source: Tropp 2013
## Demand?

Customers willing to shop around for quality perishables

<table>
<thead>
<tr>
<th>Channel</th>
<th>Primary Food Source</th>
<th>Primary Source of Fresh Produce</th>
<th>Secondary Source of Fresh Produce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarkets</td>
<td>76%</td>
<td>56% ↓</td>
<td>29%</td>
</tr>
<tr>
<td>Warehouse clubs/supercenters</td>
<td>19%</td>
<td>10% ↓</td>
<td>23%</td>
</tr>
<tr>
<td>Health food stores</td>
<td>2%</td>
<td>2%</td>
<td>8%</td>
</tr>
<tr>
<td>Farmers markets</td>
<td>1%</td>
<td>25% ↑</td>
<td>12%</td>
</tr>
<tr>
<td>Other direct from producer</td>
<td>1%</td>
<td>5% ↑</td>
<td>3%</td>
</tr>
<tr>
<td>Specialty store</td>
<td>1%</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>No preference</td>
<td>–</td>
<td>–</td>
<td>22%</td>
</tr>
</tbody>
</table>

Colorado State University Survey of U.S. Adults (2006), based on national consumer panel data
Demand?

• Farmers’ markets main source of local food

Source: Kearney 2013
Demand?

- Farmers’ markets main source of local food

How much do you trust each format to deliver local food?
(1 to 10, with 10 as most trustworthy)

Source: A.T. Kearney analysis
Demand?

Are you willing to pay more for local food?
(% of respondents responding yes)

- Single urban households: 95%
- Young couples without kids: 78%
- Affluent families: 71%
- Senior citizens: 68%
- Middle income families: 67%
- Low income families: 57%

Source: A.T. Kearney analysis
How much extra are you willing to pay for local food? (% of respondents)

- Product would need to be cheaper: 8%
- Would not pay more than standard product: 22%
- Up to 5% more: 38%
- Up to 10% more: 24%
- More than 10% more: 8%

Source: A.T. Kearney analysis
Demand?

Despite consumer confidence in farmers’ markets and farm stands, source of local food demand is shifting towards wholesale channels.
Demand?

Farmers’ local food marketing, 2008

- Direct-to-consumer outlets
  - 71,200 farms
  - $877 million in sales
  - Farmers’ markets
  - Roadside stands
  - Farm stores
  - CSA arrangements

- Intermediated marketing channels
  - 13,400 farms
  - $2.7 billion in sales
  - Grocers
  - Restaurants
  - Regional Distributors

- Both
  - 22,600 farms
  - $1.2 billion in sales


Source: Low and Vogel 2011
Demand?

One reason for shift = slowdown in farmers’ market growth:

• Starting to see decline in pace of net FM growth (National FM Directory)

• Disparity in FM profitability between urban/less urban markets
## Average Monthly Sales of Surveyed Farmers Markets (2009)

<table>
<thead>
<tr>
<th>Rural-urban continuum codes (1=most urban)</th>
<th>All markets</th>
<th>Below $2,500</th>
<th>$2,500 to $6,999</th>
<th>$7,000 to $22,999</th>
<th>$23,000 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>32.9%</td>
<td>31.3%</td>
<td>14.6%</td>
<td>36.8%</td>
<td>62.5%</td>
</tr>
<tr>
<td>2</td>
<td>19.4%</td>
<td>14.9%</td>
<td>26.8%</td>
<td>21.1%</td>
<td>16.7%</td>
</tr>
<tr>
<td>3</td>
<td>9.4%</td>
<td>10.4%</td>
<td>12.2%</td>
<td>7.9%</td>
<td>4.2%</td>
</tr>
<tr>
<td>4</td>
<td>6.5%</td>
<td>3.0%</td>
<td>7.3%</td>
<td>7.9%</td>
<td>12.5%</td>
</tr>
<tr>
<td>5</td>
<td>4.7%</td>
<td>6.0%</td>
<td>4.9%</td>
<td>5.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td>6</td>
<td>10.6%</td>
<td>10.4%</td>
<td>14.6%</td>
<td>10.5%</td>
<td>4.2%</td>
</tr>
<tr>
<td>7</td>
<td>8.8%</td>
<td>11.9%</td>
<td>12.2%</td>
<td>5.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td>8</td>
<td>4.1%</td>
<td>6.0%</td>
<td>4.9%</td>
<td>2.6%</td>
<td>0.0%</td>
</tr>
<tr>
<td>9</td>
<td>3.5%</td>
<td>6.0%</td>
<td>2.4%</td>
<td>2.6%</td>
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Preliminary results from USDA/AMS 2010 National Farmers Market Managers Survey
## Farmers’ Markets in Madison County, NY (2009)

<table>
<thead>
<tr>
<th>Location</th>
<th>Average $ spent per week</th>
<th># of weeks/market</th>
<th>Total $ spent per market/year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hamilton, NY</td>
<td>$24,754</td>
<td>25</td>
<td>$618,858</td>
</tr>
<tr>
<td>Cazenovia, NY</td>
<td>$12,554</td>
<td>25</td>
<td>$313,848</td>
</tr>
<tr>
<td>Canastota, NY</td>
<td>$3,442</td>
<td>15</td>
<td>$51,631</td>
</tr>
<tr>
<td>Oneida, NY</td>
<td>$3,480</td>
<td>20</td>
<td>$69,600</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,053,939</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Madison County Agricultural Economic Development Program, 2009

*Similar findings in a study of the North Country markets by Schmit and Gomez*
Many D2C outlets, including FMs, are labor-intensive, and not very profitable for farmers:

- Small farms (>$50,000 in gross annual sales) were more likely to rely exclusively on D2C sales.

- High price per unit/relatively small volume of sales

- Farmers’ markets often most labor intensive market channel (LeRoux et al. 2010, Hardesty and Leff 2010)

Source: Low and Vogel 2011
Demand?

Barriers for small and mid-scale farmers to access larger-volume marketing channels

- Individual farm operators often lack individual capacity to meet buyer requirements for product volume, quality, consistency, variety or extended availability

- Farmers continue to be challenged by the lack of distribution, processing, and marketing infrastructure

...one of the reasons FMs will continue to play important roles as a point of entry for farmers
Potential Drivers of Future Demand

Likely to hinge on greater accessibility

• Nutrition Assistance Programs
  – Increases in SNAP participation by farmers markets and farm stands, up from around 900 sites in 2009 to more than 3,200 in 2012
    • resulting from outreach by USDA Food and Nutrition Service + AMS/FNS grants for EBT installation + rise of NGO-sponsored subsidy programs
  – Preliminary research suggests:
    • Patronage continues after subsidies run out (USDA AMS 2013)
    • Price is not a barrier (Project for Public Spaces 2013)
  – Recent expansion of mobile farm markets to serve people without transportation access
Annual SNAP Redemption at Farmers Markets, 2009-2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Redemption Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$4,173,323</td>
</tr>
<tr>
<td>2010</td>
<td>$7,547,028</td>
</tr>
<tr>
<td>2011</td>
<td>$11,725,316</td>
</tr>
<tr>
<td>2012</td>
<td>$16,598,255</td>
</tr>
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Source: USDA AMS 2014
Potential Drivers of Future Demand

• Nutrition Assistance Programs
  – MarketLink, a new way for farmers’ markets and direct-marketing farmers to get authorized as SNAP vendors and get the equipment they need to accept SNAP benefits
## Potential Drivers of Future Demand

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<td>$224</td>
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<td>Value Added Producer Grant Program</td>
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<td>$63</td>
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<tr>
<td>Rural Microentrepreneur Assistance Program</td>
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<tr>
<td>National Organic Cost Share Certification</td>
<td>$22</td>
<td>$57.5</td>
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<tr>
<td>Senior Farmers Market Nutrition Program *</td>
<td>$28</td>
<td>$0</td>
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<tr>
<td>Food Insecurity Nutrition Incentives (SNAP Incentives)</td>
<td>n/a</td>
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<td>Community Food Projects *</td>
<td>no increase</td>
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Summary of Additions to Mandatory Funding for Select Local Food, Organic, Healthy Food Access and Rural Development Programs

Source: NSAC 2014
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Summary of Additions to Mandatory Funding for Select Local Food, Organic, Healthy Food Access and Rural Development Programs

Source: NSAC 2014
Potential Drivers of Future Demand

- USDA’s Know Your Farmer Initiative
  – 2600+ projects funded since 2009

Soldier-Turned-Farmer Uses Rotational Grazing to Make His Minnesota Ranch Successful & Sustainable

Source: USDA KYF 2014
Potential Drivers of Future Demand

Source: Ahern 2011

Beginning Farms
(% of All Farms in County)

- Under 25%
- 25% - 30%
- 30% - 35%
- 35% - 40%
- Over 40%

Source: ERS Tabulations based on USDA/NASS 2007 Census of Agriculture.
Includes farms where all operators have less than ten years experience on current farm.

Source: Ahern 2011
Potential Drivers of Future Demand

• Growing number of farmers markets operating at hospitals and health care facilities
  – 115 reported in 2013 USDA National Farmers Market Directory
  – Kaiser Permanente lead in early years
  – Recent campaign to introduce them at Veteran’s Health Administration facilities

• Military bases: New DoD “healthy base initiative” aims to expand farmers markets on base

Source: Tropp 2013
Potential Drivers of Future Demand

Growing interest in and availability of winter markets

The 2012 top 10 states for winter farmers markets:

1. California with 284
2. New York with 196
3. Florida with 105
4. Maryland with 70
5. Texas with 63
6. North Carolina with 62
7. Massachusetts with 59
8. Pennsylvania with 58
9. Georgia with 55
10. Virginia with 53

Source: USDA AMS 2012
Potential Drivers of Future Demand

Path to “take off” for farmers looking to scale-up

Red Jacket Orchards:

• 1992: started to sell at NYC Greenmarkets
• 2012: 25+ markets/week and national distribution
Potential Drivers of Future Demand
What role will farmers’ markets play in expanding the local food movement?

• Continued FM growth in urban locations (regional concentrations)
  — Rural and farm-level impacts?
    • Importance of social capital – trust!
    • Rural communities and market managers need to think creatively

• Farmers’ markets will be one of multiple outlets used by growers
  — Particularly important for beginning, small and mid-scale farms
  — How can we make markets more profitable for growers (opportunity for collaboration with wholesale purchasers)?

• 2014 Farm Bill and the USDA KYF initiatives put FMs front and center
  — But, market managers need to think strategically about how to capitalize on opportunity (i.e., integrate low income households in planning efforts)
Thank You!

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