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# Agricultural Marketing Report

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## FARMERS MARKETS AND DIRECT MARKETING FOR COLORADO PRODUCERS

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Farmers markets have a rich history in the development of agriculture in the United States. They represented a community food distribution system long before the rise of the retail agribusiness system, and began to re-emerge (after years of decline) after the passage of the Farmer-to-Consumer Direct Marketing Act of 1976. Some argue that they are now an integral part of the food community linking consumers and producers through business and social relationships, while others view farmers markets as an appropriate marketing channel for entrepreneurial and small farmers who strive to establish a loyal customer base through personal selling and high quality (vs. low margin commodity) marketing strategies.

The objectives of this fact sheet are to summarize the findings of some recent analyses of farmers market and direct marketing by agricultural producers, including the US Ag Census, USDA's Agricultural Marketing Service study of Farmers markets and a CSU study of consumer shopping behavior conducted in December 2008. By examining trends in the number of farmers markets, sales made directly by producers and the role of farmers markets in consumer food shopping choices, one can assess the potential role of such channels in agricultural and food enterprise development, especially for small farms or producers with specialty and value-added agricultural products.

### *Farmers Market Trends*

The United States Department of Agriculture reported that, since 1994, the number of farmers markets nationwide has grown nearly threefold (Figure 1). As of August 2009, the total number of farmers markets in the nation had reached 5,274, a 12.5 percent increase from August 2008 (<http://www.ams.usda.gov/farmersmarkets/>).

Direct marketing via roadside stands and community supported agriculture (CSA) is also on the rise. As of 2006, a National Center for Appropriate Technology publication reported 1,080 CSAs in the USDA database. (<http://attra.ncat.org/attra-pub/csa.html#trends>).

On the supply side of local food systems, the number of farms turning to direct sales within a broad context of options is growing at a similar rate. According to the 2007 Census, 136, 817 farms (6% of all farms) sold a little over \$1.2 billion in agricultural products direct to consumers. Although this is only about 0.5% of total sales, it is a 50% increase in sales from just five years earlier. This growth translates into about 20,000 more farms selling direct and each farm selling about \$2,000 more per farm annually. Small farms (under \$50,000 of annual sales) represent a large share of farms that sell directly; almost two-thirds of sales

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come from farms of this size, and these farms represent three-quarters of the growth in sales between 2002 and 2007.

### **Direct Marketing by Producers**

Data on direct marketing from the 2007 Ag Census shows some interesting trends in the US and Colorado. For the US, the value of agricultural products directly sold by producers increased from \$812,204,000 to \$1,211,270,000 between 1997 and 2002, an increase of 49% compared to a less than 4% increase in total revenues sold through all channels. Sales growth is still over 30% even when you control for inflation between 2002 and 2007. The number of farms direct marketing also increased from 116,733 to 136,817 and the average direct sales per farm increased from \$6,958 to \$8,853 (or \$7614 in 2002 dollars).

Colorado has seen a dramatic increase in farms that are marketing directly. Between 2002 and 2007, 434 farms began direct marketing (2,777 up from 2,343) so that 7.5% of all farms now do some direct marketing (compared to 6.2% for the US as a whole). This increase in activity resulted in revenue from direct sales increasing from \$17,406,000 in 2002 to \$22,584,000 in 2007 (which is equivalent to 19,422,000 in 2002 dollars). Average sales per farm increased from \$7,429 to \$8,133. These revenues

include channels outside of farmers markets (roadside stands, CSAs and pick-your-own) but still illustrate the significant shift in marketing strategies by Colorado producers.

Within Colorado, there are concentrations of producers who sell the most directly, and not surprisingly, they are in areas near metro consumer populations and areas that receive a large number of tourists. The top counties in terms of revenue from direct sales are:

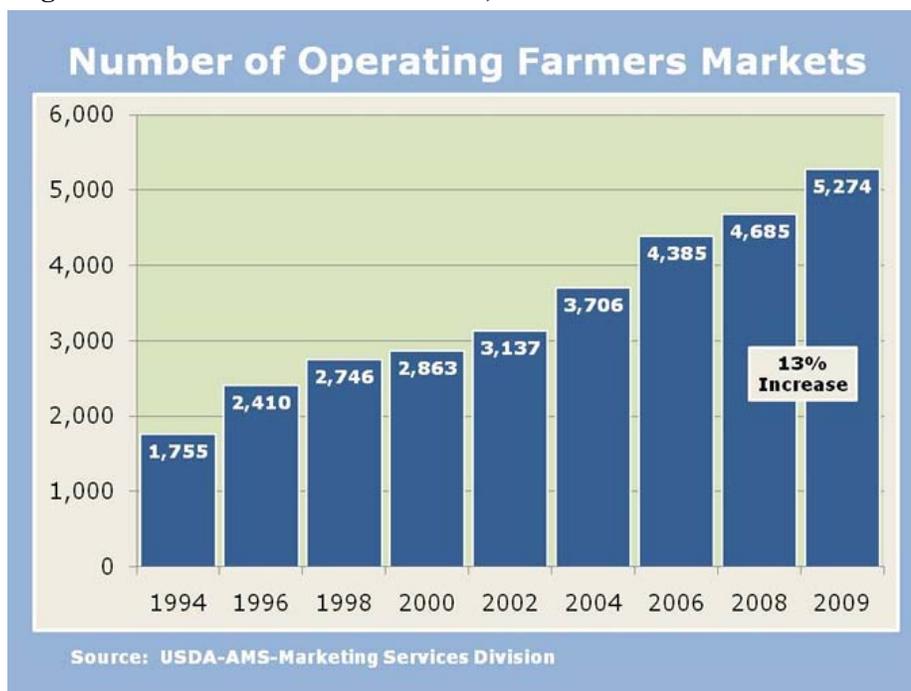
- ◆ Mesa \$4,729,000
- ◆ Adams \$2,260,000
- ◆ Weld \$2,203,000
- ◆ Delta \$1,529,000
- ◆ Morgan \$1,509,000

Of these, Morgan county showed the greatest growth with an almost 800% increase in direct sales from 2002. The proximity to major metro areas and transportation corridors may be part of the explanation for strong sales and growth in sales for each of these counties.

### **The Role of Farmers Markets in Consumer Food Shopping**

There is little research on the role of farmers markets in US consumers' food shopping behavior, but a recent study conducted by Colorado State University asked

**Figure 1-Growth in Farmers Markets, 1994-2008**



Source: United States Department of Agriculture-Agricultural Marketing Services, 2010

consumers about their primary and secondary fresh produce source choices. Although supermarkets dominate as the primary source of fresh produce (Figure 2a), 8.8% of consumers consider farmers markets to be their primary fresh produce source, and 32.9% of consumers consider farmers markets to be their secondary fresh produce source (Figure 2b). These consumer trends, together with the growth in direct sales by agricultural producers, documented by the Ag Census, clearly show the growing popularity of personal sales relationships with consumers.

There are broader community and policy issues that relate to farmers markets and direct marketing as well. There are some who believe that public support for these markets should grow, but it is not clear how much support is needed. The USDA reports that 82 percent of markets are already self-sustaining and market income is sufficient to pay for all costs associated with the operation of the market (not including grant or in-kind support). But, this may be misleading, as the study focused on existing markets, and there is no information on what other markets might exist if public support were available. Sally Haines with the Colorado Farmers Market Association believes that most Colorado markets still rely heavily on volunteers, support for facilities and unpaid management. This is especially true in more rural areas, where there is an insufficient consumer base relative to what is necessary to support a market's overhead.

With respect to broader food policy concerns, farmers markets appear to play a significant role in food security and assistance. According to the USDA, 58 percent of markets participate in WIC coupon, food stamps, local and/or state nutrition programs. But again, Colorado does not reflect these national trends, as Colorado does not participate in either the WIC Farmers Market Nutrition Program or the Senior Farmers Market Nutrition Program. However, three markets in Colorado do fund their own version of the FMNP. Furthermore, twenty-one Colorado farmers

markets participate in the CFMA EBT (Food Stamp) program, and offer EBT capability at their markets. To support more localized assistance efforts, 25 percent of markets participate in gleaning programs aiding food recovery organizations in the distribution of food and food products to needy families.

### **Policy and Market Implications**

The implications of these findings to producers are twofold. As a market assessment, it illustrates great potential in direct markets, and the number of market outlets is growing even as more producers participate in direct markets. Although Colorado has seen strong market growth, US statistics suggest these dynamics may hold for other states and regions as well. In terms of policy implications, the self reported dependence of consumers on farmers markets as a secondary source of produce may indicate the policies to support the development and operations of such markets are warranted, especially if market access or food enterprise development is complementary to community economic development goals.

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Figure 2a and 2b-Primary and Secondary Food Shopping Locations

